Peachtree Accounting

Back to Basics

HANDBOOK

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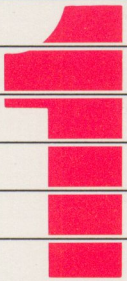

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Overview of Accounting

Every organization needs good records that show where its money has come from, where it has gone and how the organization has performed financially. The system used for this purpose is called the organization's "accounting" system.

Until recently, much of the work of keeping accounting records was drudgery. It involved copying numbers from one form to another, adding up columns of numbers, summarizing these numbers and constantly doublechecking to prevent errors. With the introduction of computers, large companies were able to free their bookkeepers from much of this drudgery. The computer did the copying, the adding, the summarizing and the error checking. And the computer did this work more quickly and less expensively than the bookkeepers it replaced.

Microcomputers have become so inexpensive that even a small organization—one in which the manager does the accounting personally, perhaps with the part-time help of a secretary—can now obtain these advantages. However, computers will do this work only if they are properly programmed.

A good program will permit the computer to take over the drudgery of accounting for you. Once you have entered the information, the computer will rearrange it and summarize it in the form that you need in order to understand what has happened in your organization.

The computer will do this work much faster than a human being can do it. Its speed is only partly related to the speed with which computers operate. Fully as important is the computer's ability to operate without making mistakes. In a manual accounting

system, errors occur in copying numbers from one place to another and in addition or subtraction; the bookkeeping task is not finished (as is said, "the books will not balance") until these errors have been located and corrected. The computer does not make these errors. After the data have been entered correctly, you can rely on the computer to produce accurate reports. Indeed, in the Back to Basics Accounting System, the computer will help prevent you from making errors that often occur when data is entered initially.

The end products of an accounting system are reports on how the organization has performed and how it stands financially. These financial statements are obtained by summarizing the detailed data that are entered whenever an event that has an effect on the organization's financial situation occurs. Once you have decided on what type of summary is most useful to you, the computer will produce these reports monthly, or however often you desire, at the touch of a few keys.

An accounting system operates according to well-established conventions, which are called "generally accepted accounting principles." In order to record data correctly and, more important, in order to understand the meaning of the numbers in the financial statements, you need to be familiar with these principles. An overview of them is given in the next section.

In order to be comfortable with your accounting system, you need to understand "why" the computer program does what it does. The purpose of this overview is to explain the general principles that govern accounting. These principles apply generally to accounting in all types of organizations (except certain government bodies). A corner drugstore has an accounting system that differs in detail from that of Sears, Roebuck & Company, but the general principles are the same in both.

You also need to understand the meaning of technical accounting terms. Some of these terms have different meanings in accounting than in everyday use. For example, the term "net worth" does "not" mean what something is worth. You can be misled if you are not familiar with these differences.

This overview has three sections. The first describes the general principles of accounting. The second shows how you enter the accounting effects of events into the accounting system. The third tells how accounting information is used.

We shall start by describing three fundamental accounting ideas: (1) the accounting entity, (2) money measurement and (3) double entry.

The Accounting Entity

A set of accounts applies to single organization, which is called the "accounting entity." The accounting entity may consist of one person, it may be an unincorporated business with an owner and a few employees, it may be a partnership, it may be a business corporation. Nonprofit organizations of all types—hospitals, welfare organizations, condominium associations, clubs, schools—are also accounting entities.

The accounts of the accounting entity must be kept separate from those of persons outside the entity, including its owners. Since a corporation is legally a separate "person," this separation is relatively easy to make for corporations. For unincorporated entities, however, problems often arise in separating the affairs of the entity from those of its owners. The grocer who takes home food for the family should record this fact in the accounts of the grocery store entity, even though the grocer is its sole owner. The grocer as an individual is no better off whether the food is in the store or in the kitchen. But accounting records the fact that the grocery store "entity" is worse off because groceries have been taken from it.

Money Measurement

Accounts are kept in terms of money. The arithmetic used in accounting is addition and subtraction. You can add one amount to another, or subtract one amount from another, only if the amounts have a common denominator. This denominator is money. You can't add 6 apples and 8 oranges and get a meaningful total, but you can add $2 of apples and $5 of oranges, and the $7 total is the dollar amount of fruit.

If things are not stated in terms of money, accounting can't record them. This means that accounting won't tell you everything about the entity. Accounting won't tell you about a manager's ability, the entity's reputation, customer loyalty, the value of a new product or other information that can't be stated in dollar amounts. But accounting will tell you more about the entity's performance and financial well being than any other single source of information.

Double Entry

The ideas of the accounting entity and of money measurement are easy to grasp. The third idea, double entry, is more complicated. You need to understand this idea clearly, because the whole of accounting is based on it.

The principal end products of an accounting system are two reports, called the income statement and the balance sheet. The "income statement" reports the entity's financial performance during an accounting period. The "balance sheet" reports its financial status at the end of the period. The income statement is by far the more important of the two, but the idea of double entry is easier to grasp if we start with the balance sheet.

BALANCE SHEET. A balance sheet shows the financial position of the accounting entity at one moment in time. A balance sheet is therefore always dated "as of" a certain date. The balance sheet "as of December 31, 1984," shows the entity's financial position as of the end of 1984. A balance sheet "as of January 31" shows the financial position as of the end of January.

We shall start to prepare a balance sheet for Scott Company, using the form given below:

SCOTT COMPANY
Balance Sheet as of January 31

"Assets"	"Equities"

Note that the balance sheet has two sides. The left-hand side is called the "asset" side. Amounts listed on that side show the resources owned by the entity. The right-hand side is called the "equities" side. The meaning of amounts listed on the equities side will become clear as we proceed. For starters, we point out that the amounts shown on the right-hand side can be explained in either of two ways, both of which are correct. In one view, equities are "claims" against the assets. In the other view, equities show the amounts of funds that have been supplied to the entity from various sources. As we proceed, you may find that one of these views makes more sense to you than the other. Use that one.

HOW TRANSACTIONS AFFECT THE BALANCE SHEET. We shall illustrate how certain financial events affect the balance sheet. Each event that is recorded in the accounting records is called a "transaction." All these events occur in January.

Let's consider the first event in the formation of a new entity. Assume that the owners of Scott Company provide it with $10,000 cash, as funds to work with. Clearly, Scott Company now has an asset, a valuable resource, of $10,000. You record this $10,000 as the item, Cash, on the assets side of the balance sheet. The owners have furnished this resource of $10,000, and you record this fact on the equities side of the balance sheet; the accounting term is Paid-in Capital. After you have recorded

this transaction, the balance sheet looks like this:

SCOTT COMPANY
Balance Sheet as of January 31

"Assets"		"Equities"	
Cash	$10,000	Paid-in Capital	$10,000

Second, assume that Scott Company uses $2,000 of its cash to buy merchandise that it plans to sell to customers. The accounting name for merchandise that an entity owns is "Inventory." You record the fact that cash has decreased by $2,000, by making the Cash item $8,000, and you record the new asset, Inventory, in the amount of $2,000. After you have recorded this transaction, the balance sheet looks like this:

SCOTT COMPANY
Balance Sheet as of January 31

"Assets"		"Equities"	
Cash	$ 8,000	Paid-in Capital	$10,000
Inventory	$ 2,000		
Total assets	$10,000	Total equities	$10,000

This transaction increased one asset and decreased another asset by the same amount, so the total of the assets is unchanged, that is $10,000.

Third, assume that Scott Company bought some office furniture. The total cost was $5,000, and Scott Company paid $1,000 cash and agreed to pay $4,000 to the vendor in two installments. By providing the asset, furniture, to Scott Company, without receiving the full amount of cash in return, the vendor was in effect furnishing funds to the company. Put another way, the vendor has a claim against the assets of $4,000. An outside party (other

than an owner) who has a claim against the entity is called a "creditor." The amount of a creditor's claim is called a "liability." The name of the liabilities arising from vendors' claims is "accounts payable."

To record this transaction, you first decrease Cash by $1,000, making it $7,000. Next, you record the new asset, Furniture, $5,000. Finally, you record the new equities item, Accounts Payable, $4,000. After you have recorded this transaction, the balance sheet looks like this:

SCOTT COMPANY

"Assets"		"Equities"	
Cash	$ 7,000	Accounts Payable	$ 4,000
Inventory	$ 2,000	Paid-in Capital	$10,000
Furniture	$ 5,000		
Total assets	$14,000	Total equities	$14,000

This transaction increased both assets and equities, but the total of the assets side remained equal to the total of the equities side.

Fourth, assume that later on in January, Scott Company paid out $3,000 cash to the vendor who had the claim of $4,000. You record the $3,000 decrease in cash by reducing the Cash asset from $7,000 to $4,000. You record the fact that the liability to the vendor has been reduced by $3,000 by decreasing the equities item, Accounts Payable, from $4,000 to $1,000. After you have recorded this transaction, the balance sheet looks like this:

SCOTT COMPANY

"Assets"		"Equities"	
Cash	$ 4,000	Accounts Payable	$ 1,000
Inventory	$ 2,000	Paid-in Capital	$10,000
Furniture	$ 5,000		
Total assets	$11,000	Total equities	$11,000

Again, note that although amounts on each side of the balance sheet were changed by this transaction, the total of the assets side continued to equal the total of the equities side.

DOUBLE ENTRY PRINCIPLE. The four transactions recorded above illustrate the main types of transactions that affect the balance sheet:

The first increased assets and increased equities by the same amount.

The second increased one asset and decreased another asset by the same amount, leaving the total of assets unchanged.

The third increased one asset, decreased another asset and decreased a liability, but the total of the two sides of the balance sheet remained equal.

The fourth decreased both an asset and a liability by the same amount, so the total of the two sides remained equal.

Observe the following:

1. Each transaction affected at least two items. The third transaction affected more than two items.

2. After a transaction was recorded, the totals of the assets side of the balance sheet always equalled (or "balanced") the total of the equities side. (This is why the statement is called a "balance sheet.").

The double entry principle is that each accounting transaction affects at least two items, and after it has been recorded the total of the assets side of the balance sheet continues to equal the total of the equities side. This is often stated as the fundamental accounting equation:

ASSETS = EQUITIES

What is the reasoning behind this principle? According to how you view the balance sheet, either of two explanations is correct:

1. If equities are viewed as claims against assets, then the total of the amounts that various parties claim cannot be greater than the amount of assets there is to be claimed. Nor can the total claim be less than the amount there is to be claimed, because whatever is not claimed by other parties is claimed by the owners. Therefore, the amounts to be claimed (assets) equals the amount of the claims (equities).

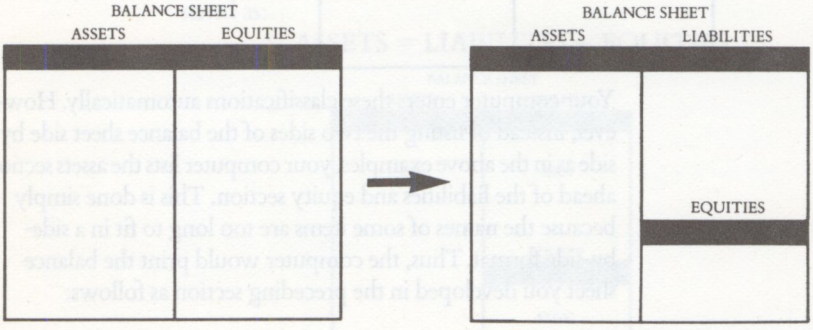
2. If equities are viewed as reporting the sources of funds, and assets as the forms in which these funds are invested, then the total amount invested cannot exceed the total amount of funds supplied for investment. Nor can the total amount invested be less than the total amount supplied, because all the funds are

invested somewhere. Therefore, the amount of funds invested in various resources (assets) equals the amount of funds supplied (equities).

BALANCE SHEET FORMAT. Certain conventions govern the way in which balance sheet items are listed.

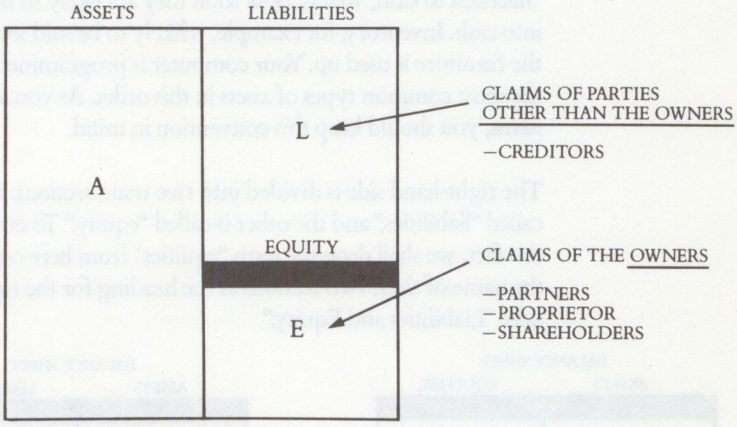
On the assets side, Cash is usually listed first. ("Cash" includes all the money owned by the entity, whether in a cash drawer or in a bank account.) The other assets are listed in the order of their "nearness to cash," that is, how soon they are likely to be turned into cash. Inventory, for example, is likely to be sold sooner than the furniture is used up. Your computer is programmed to list the most common types of assets in this order. As you add asset items, you should keep this convention in mind.

The right-hand side is divided into two main sections. One is called "liabilities," and the other is called "equity." To emphasize this fact, we shall drop the term "equities" from here on, and use the name of these two sections as the heading for the right-hand side: "Liabilities and Equity."



"Liabilities" are claims of parties other than the owners. The order in which liabilities are listed corresponds to how soon each is likely to require the use of cash to discharge the claim.

In a profit-oriented entity, the "equity" section shows the claims of the owners. These are the shareholders in a corporation, the partners in a partnership and the proprietor of a one-owner entity. In a nonprofit entity, the equity section is the interest of the entity itself, the residual amount after the liabilities have been satisfied. Since the owners cannot claim assets until after the claims of outside parties have been satisfied, the equity section is listed below the liabilities.



Your computer enters these classifications automatically. However, instead of listing the two sides of the balance sheet side by side as in the above examples, your computer lists the assets section ahead of the liabilities and equity section. This is done simply because the names of some items are too long to fit in a side-by-side format. Thus, the computer would print the balance sheet you developed in the preceding section as follows:

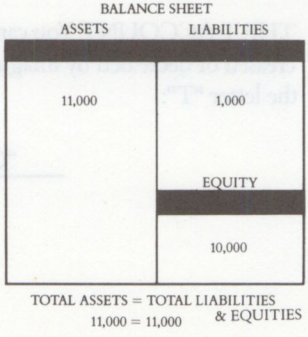
SCOTT COMPANY
Balance Sheet as of January 31

"Assets"	
Cash	$ 4,000
Inventory	2,000
Furniture	5,000
Total Assets	$11,000
"Liabilities and Equity"	
"Liabilities"	
Accounts Payable	$1,000
Total Liabilities	$1,000
"Equity"	
Paid-in Capital	$10,000
Total Equity	$10,000
Total Liabilities and Equity	$11,000

This is simply a shift in presentation; it does not affect the underlying relationships. You should think of the "left-hand side" and the "right-hand side" of the balance sheet, even though the second "side" is given below the first.

Because the right-hand side of the balance sheet is divided into two main sections, the fundamental accounting equation is often stated as:

ASSETS = LIABILITES + EQUITIES



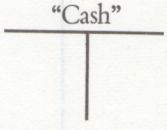
Debit And Credit

You have probably seen the words "debit" and "credit" in connection with accounting. At first, these words may seem mysterious, but we shall now show that they simply provide a convenient way of applying the double entry principle.

Each of the items shown on the balance sheet is an "account." In the accounting system there is an account for every item that you want to keep track of. Your computer program already has a list of commonly used accounts. This list is called the "chart of accounts." You can add to or change the chart of accounts to fit your own needs.

"Increases and Decreases." In the first example given earlier, you started the Cash account by entering the amount of $10,000. Put another way, you increased the amount in the account from zero to $10,000. Thereafter, as shown in the other examples, you changed the amount in an account in one of two ways: you increased it or you decreased it. This is so for every account: you start the account by entering an amount which, in effect, increases it from zero, and thereafter you change the amount either by increasing it or by decreasing it. Increases are additions, and decreases are subtractions. As we said earlier, the "only" arithmetic operations in accounting are addition and subtraction.

THE T-ACCOUNT. You can visualize how acconts are increased or decreased by imagining an account that looks like the letter "T":



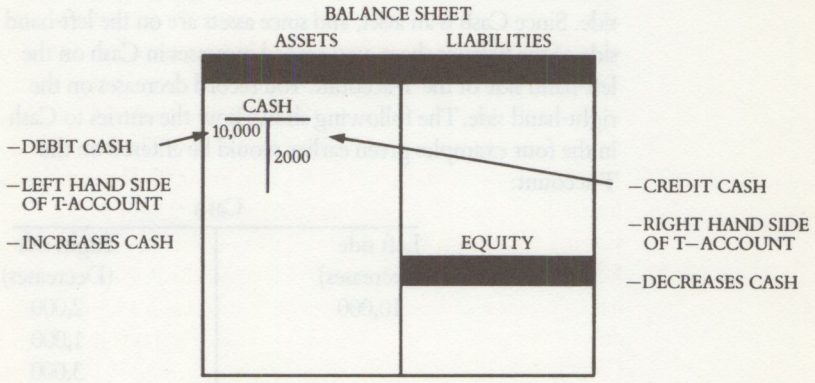
Increases are recorded on one side and decreases on the other side. Since Cash is an asset, and since assets are on the left-hand side of the balance sheet, you record increases in Cash on the left-hand side of the T-account. You record decreases on the right-hand side. The following shows how the entries to Cash in the four examples given earlier would be entered on the T-account:

Cash

Left side (Increases)	Right side (Decreases)
10,000	2,000
	1,000
	3,000
10,000	6,000

The amount in the Cash account after the transactions have been entered is its "balance." The balance is the difference between the increases and the decreases, in this case $4,000 (= $10,000 − $6,000). (In the accounts, the dollar [$] is not shown. All the amounts are dollar.)

MEANING OF DEBIT AND CREDIT. You could instruct the computer to add $10,000 to the Cash account by stating: "Enter $10,000 on the left-hand side of the Cash account." You could instruct it to subtract $2,000 by stating, "Enter $2,000 on the right-hand side of the Cash account." The words "debit" and "credit" are shorter ways of giving these instructions. "Debit" refers to the left-hand side of an account, and "Credit" to the right-hand side. "To debit" means to enter an amount on the left-hand side, and "to credit" means to enter an amount on the right-hand side.



To record an increase in cash, you make an entry on the left-hand side of the Cash account. For an increase of $10,000, you simply instruct the computer: "Debit Cash, $10,000." For a decrease of $2,000, you instruct: "Credit Cash, $2,000." These rules apply to "all" asset accounts. To increase an asset account, you debit it; to decrease an asset account, you credit it.

RULES FOR DEBIT AND CREDIT. We have stated the basic accounting equation:

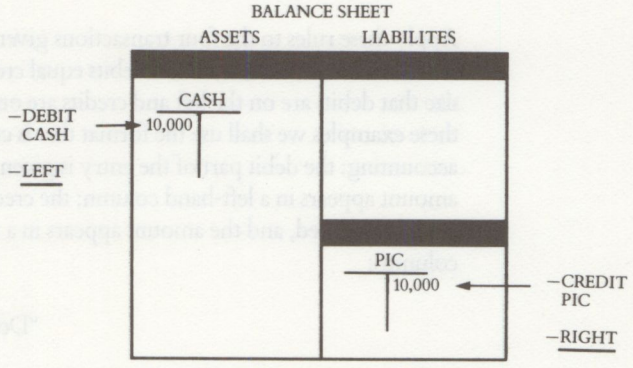
$$\text{ASSETS} = \text{LIABILITIES} + \text{EQUITY}$$

There is also another accounting equation:

$$\text{DEBITS} = \text{CREDITS}$$

This equation applies to every transaction, and hence to summaries of all transactions. It is a useful error-checking device, because if you try to record a transaction in such a way that the debits do not equal the credits you know that something is wrong.

In order to make this equation work, the rules for liabilities and equity must be the opposite of the rules for assets. The reason for this can be illustrated by the first transaction given earlier. In that transaction, Cash was increased $10,000, and Paid-in Capital, an equity account, was also increased by $10,000. The instruction for the increase in Cash is: "Debit Cash, $10,000." The instruction for the increase in Paid-in Capital cannot be "Debit Paid-in Capital, $10,000." If this were done, there would be debits totaling $20,000 and no credits. Therefore, the rule for Paid-in Capital has to be: record increases as credits. If this rule is followed, the debit of $10,000 to Cash equals the credit of $10,000 to Paid-in Capital; that is, debits = credits. If increases in Paid-in Capital are credits, decreases must be debits.



These rules apply to all liability and equity accounts. To increase a liability or equity account, you credit it; to decrease a liability or equity account, you debit it.

You can remember these rules by thinking of the accounts in relation to the balance sheet. Debits are always entered on the left-hand side of the account. Assets are on the left-hand side of

the balance sheet. So increases in assets are debits. Credits are always entered on the right-hand side of the account. Liabilities and equity items are on the right-hand side of the balance sheet. So increases in liability and equity accounts are credits.

To summarize, "debit" means to make an entry on the left-hand side of an account, and "credit" means to make an entry on the right-hand side of an account. The rules for debit and credit are:

- To increase an asset account, debit it.
- To decrease an asset account, credit it.
- To increase a liability or equity account, credit it.
- To decrease a liability or equity account, debit it.

Apply these rules to the four transactions given earlier, and you will see that in each transaction debits equal credits. (To emphasize that debits are on the left and credits are on the right, in these examples we shall use the format that is customary in accounting: the debit part of the entry is given first and the amount appears in a left-hand column; the credit part is given next, is indented, and the amount appears in a right-hand column):

	"Debit"	"Credit"
1. The entity received $10,000 cash from its owners:		
Cash	10,000	
Paid-in Capital		10,000
2. Increased inventory and decreased cash		
Inventory	2,000	
Cash		2,000

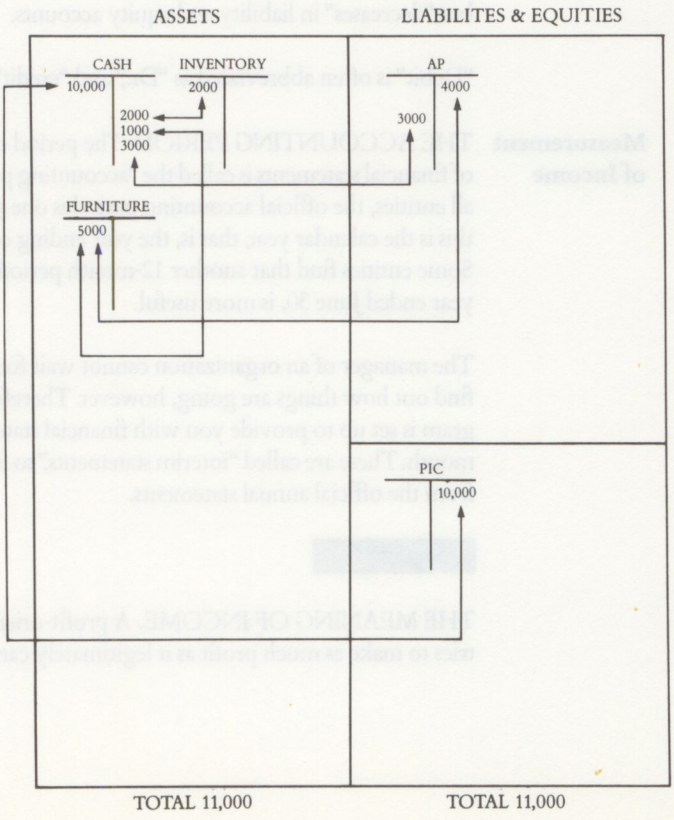
3. Bought furniture, decreasing cash and increasing accounts payable (a liability):

Furniture	5,000	
Cash		1,000
Accounts Payable		4,000

4. Paid cash to decrease accounts payable

Accounts Payable	3,000	
Cash		3,000

BALANCE SHEET



There is absolutely no exception to the rule that debits must equal credits. For this reason, the computer will not permit you to record a transaction in which debits do not equal credits. If you try to do so, the computer will call attention to the error, and you will then think about what has happened to the accounts and find a way of arriving at equality.

Incidentally, some people think that "debit" and "credit" have some deeper meaning than the simple idea of "left" and "right." These words have no other meaning. The words do not mean "good" or "bad." Debits are simply "increases" in asset accounts but "decreases" in liability and equity accounts.

"Debit" is often abbreviated as "Dr.," and "credit" as "Cr."

Measurement of Income

THE ACCOUNTING PERIOD. The period covered by a set of financial statements is called the "accounting period." In almost all entities, the official accounting period is one year. Usually, this is the calendar year, that is, the year ending on December 31. Some entities find that another 12-month period, such as the year ended June 30, is more useful.

The manager of an organization cannot wait for 12 months to find out how things are going, however. Therefore, your program is set up to provide you with financial statements every month. These are called "interim statements," to distinguish them from the official annual statements.

THE MEANING OF INCOME. A profit-oriented business tries to make as much profit as it legitimately can. A nonprofit

organization tries to operate so that it at least breaks even during an accounting period. In either case, its success or failure is ultimately reflected by changes in the equity section of the balance sheet. If a business has operated profitably during an accounting period, its equity has increased by the amount of the profit. If a nonprofit organization has broken even, its equity has remained unchanged.

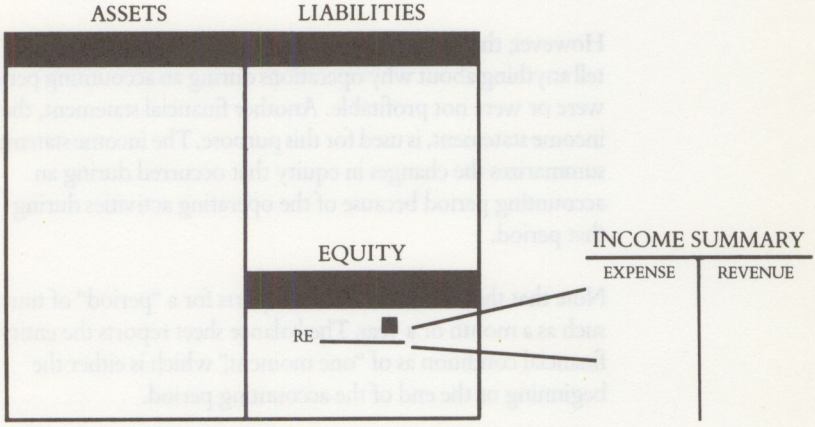
However, the change in equity on the balance sheet does not tell anything about why operations during an accounting period were or were not profitable. Another financial statement, the income statement, is used for this purpose. The income statement summarizes the changes in equity that occurred during an accounting period because of the operating activities during that period.

Note that the income statement reports for a "period" of time, such as a month or a year. The balance sheet reports the entity's financial condition as of "one moment," which is either the beginning or the end of the accounting period.

RULES FOR REVENUES AND EXPENSES. As is always the case, changes in accounts must be either increases or decreases. "Increases" in equity associated with operations during a period are called "revenues," and "decreases" are called "expenses." The difference between the revenues of a period and the expenses of a period is the "income" of the period (also called "profit" or "earnings"; "loss," if negative).

The accounting system contains an account for each type of revenue (e.g., sales revenue) and for each type of expense (e.g.,

salary expense). You can discover the rules for debits and credits to these accounts by referring to the rules for increases and decreases in equity, because revenue and expense accounts are subdivisions of equity.



Recall that increases in equity are credit entries. Since revenues increase equity, revenues are "credits." Decreases in equity are debit entries. Since expenses decrease equity, expenses are "debits."

Rather than work out these relationships, it is easier to memorize the two rules:

- To record revenues, credit a revenue account.
- To record expenses, debit an expense account.

These two rules, together with the four given earlier, are the complete list of debit and credit rules. (There is one minor exception. It relates to an unusual type of account that is called a "contra" account, as will be explained later.) From here on, we are applying these rules to a variety of transactions. We are not developing new rules. You can record any transaction, no matter how complicated, by using these rules.

The word "charge" is often used instead of "debit," especially with reference to expense transactions. For example: "Charge $100 to supplies expense."

SUMMARY OF DEBIT AND CREDIT RULES. The six rules for debit and credit are repeated below:

- To increase an asset account, debit it.
- To decrease an asset account, credit it.
- To increase a liability or equity account, credit it.
- To decrease a liability or equity account, debit it.
- To record revenues, credit a revenue account.
- To record expenses, debit an expense account.

The accompanying diagram may help you remember these rules. It shows the types of accounts, with each type being divided into a left-hand and a right-hand side. Debit entries are always

made to the left-hand side of the account. However, debits to asset and expense accounts are increases, while debits to liability and equity accounts are decreases. Credits are the opposite.

RULES FOR DEBIT AND CREDIT

ASSETS (Example: Cash)		= LIABILITIES (Example: Accounts Payable)		+ EQUITY (Example: Paid-in Capital)	
Debit	Credit	Debit	Credit	Debit	Credit
Increase	Decrease	Decrease	Increase	Decrease	Increase
+	−	−	+	−	+

TEMPORARY SUBDIVISIONS OF EQUITY

REVENUES (Example: Sales)		EXPENSES (Example: Salary)	
Debit	Credit	Debit	Credit
	Increase	Increase	
	+	+	

THE ACCRUAL PRINCIPLE. All managers want to know how their entities have performed financially. The income statement gives this information. The measurement of an entity's income is the most important function of accounting.

Income measures the change in equity associated with the operations of the period. Some changes in equity are obvious. If, for example, the entity paid $200 cash in January for plumbing repair

work done in January, its cash has decreased by $200, and its equity has decreased by $200, because of the repair expense. You would record this transaction as follows:

Debit Repair Expense	200	
Credit Cash		200

However, some expenses are not accompanied by a decrease in cash in the same accounting period. Also, some revenues are not accompanied by an increase in cash in the same period. Recording these noncash transactions properly is the most difficult problem in accounting. They are governed by the "accrual principle," which will be explained in some detail.

The accrual principle stems from the need for maintaining the fundamental equation: ASSETS = LIABILITIES + EQUITY. In the example of the plumbing repair above, Cash decreased by $200, but there was no increase in another asset and no decrease in a liability. Therefore, in order to maintain the equation, there must have been a debit to equity of $200. A debit to equity is an expense, in this case Repair Expense. For transactions like the above, the transaction change equity? If it did, and if the change was associated with operations of the period, there was either a credit to revenue (if equity was increased) or a debit to expense (if equity was decreased). Such transactions affect income.

A change in cash is not necessarily associated with a change in equity. Earlier, we described a transaction in which the entity used $2,000 cash to acquire inventory. In this transaction, one asset, Cash, decreased by $2,000, and another asset, Inventory, increased by $2,000. The total of assets was unchanged, so there was no change in equity and no effect on income. If, erroneously, a $2,000 expense had been recorded for this transaction, in addi-

tion to the two changes in assets, the accounting equation would be upset; debits would not equal credits.

Similarly, the payment of an amount owed to a vendor did not affect equity. It resulted in a decrease in cash and an equal decrease in a liability.

The initial $10,000 contribution of capital, of course, did add to equity, but it was not associated with operations, so it does not appear on an income statement.

ACCRUAL PRINCIPLE: EXPENSES. There are two types of transactions in which a cash disbursement and the related expense occur in different accounting periods:

1. The cash disbursement is made prior to the incurring of expense. At the time cash is paid out, an asset, Prepaid Expense is created.

2. The cash disbursement is made after the expense was incurred. At the time the expense is incurred, a liability, called Accrued Liability, is created.

PREPAID EXPENSES. Assume that in January Scott Company paid $900 cash for a supply of fuel oil that it will use in heating its premises for the next several months. In January, its Cash decreased by $900 and there was an equal increase in an asset, Fuel Oil Inventory. In January, therefore, there was no decrease in equity and no expense. The entry for January would be:

*Dr. Fuel Oil Inventory	900	
Cr. Cash		900

*From here on, we shall use the abbreviations Dr. and Cr. for Debit and Credit.

The expense occurs in the months when the fuel oil is used. Assume that $400 of fuel oil was consumed in February, $300 in March and $200 in April. These amounts would be expenses in those months, and the Fuel Oil Inventory account would be decreased by an equal amount. In February, for example, the entry would be:

Dr. Fuel Oil Expense	400	
Cr. Fuel Oil Inventory		400

In each month, a credit would be made to the asset account and a debit to Fuel Oil Expense. The effect on the balance sheet and on the income statement in each month would be:

	"Expense"	"Asset, End of Month"
January	$ 0	$900
February	400	500
March	300	200
April	200	0

The same principle applies to any asset that is to be used in future periods. The purchase of insurance protection creates an asset, Prepaid Insurance. As the insurance protection expires, there is a credit to Prepaid Insurance and a debit to Insurance Expense. The advance payment of Rent creates an asset, Prepaid Rent. In the period that the rent covers, there is a credit to Prepaid Rent and a debit to Rent Expense.

Buildings, equipment, furniture and other long-lived assets also become expenses over future periods and are accounted for in essentially the same way as the fuel oil. However, the details for recording these long-lived assets are somewhat different, and these are described later.

ACCRUED LIABILITIES. If an expense is incurred prior to the period in which the cash is paid, a liability is created at that time. For examples, if employees earn $1,000 in January but are not paid until February, the entity has an expense of $1,000 in January and a liability, Accrued Salaries, at the end of January. In February, when employees are paid, there is a $1,000 credit to Cash and $1,000 debit to Accrued Salaries. The debit part of the entry wipes out the liability. The entries are:

In January:

Dr. Salaries Expense	1,000	
Cr. Accrued Salaries		1,000

In February:

Dr. Accrued salaries	1,000	
Cr. Cash		1,000

(Certain complications involved in paying employees are discussed later on.)

ACCRUAL PRINCIPLE: REVENUES. As was the case with

expenses, revenues are not necessarily earned in the period in which the related cash is received. Revenues may be earned (1) prior to, (2) in the same period as, or (3) after the period in which the cash is received. If revenue is earned in the same period, as with a sale of goods for cash, the entry is simply a debit to Cash and a credit to Sales Revenue. The other two possibilities require use of the accrual principle.

PRECOLLECTED REVENUE. Some landlords collect rent from their tenants in advance. If rent received in January applies to the use of property in February, the revenue is earned in February, not January. In January, when the entity receives cash, the credit offsetting the debit to Cash is to a liability account, Precollected Rent. This account reports the entity's obligation to provide the tenant with the use of the property in February. The entries for $600 of rent received in January and applying to the use of property in February are:

In January:

Dr. Cash	600	
Cr. Precollected rent		600

In February:

Dr. Precollected rent	600	
Cr. Rent revenue		600

ACCOUNTS RECEIVABLE. When a sale is made on credit,

the entity earns revenue in the month of the sale, but it receives the cash later on. When the sale is made, the entity has an asset, Accounts Receivable, which represents the amount that the customer owes. Assume that in January $1,000 of goods are sold to a credit customer, and the customer pays the $1,000 in February. The entries are:

In January:

Dr. Accounts Receivable	1,000	
Cr. Sales Revenues		1,000

In February:

Dr. Cash	1,000	
Cr. Accounts Receivable		1,000

The effect of these entries is that sales revenue is credited in the month of sale, and an asset, Accounts Receivable, is created in that month. Later on, when the customer remits cash, Cash is increased, and Accounts Receivable is decreased by the amount of the payment.

BAD DEBTS. Some customers may not pay their bills. In this case, the asset, Accounts Receivable, turns out not to have been an asset at all. When this sad fact is discovered, you credit Accounts Receivable with the amount of the bad debt, and debit an expense account, Bad Debt Expense.

TIMING OF REVENUE RECOGNITION. You recognize revenue in the period in which it is earned. For the sale of goods, this is usually the period in which the goods are delivered to the customer.

For the sale of services, such as the services of a physician, you recognize revenue in the period in which the services were performed. "Services" is a broad term; it includes all products other than tangible goods. Rental revenue for the use of rental property, room rental for the use of a hotel room, interest revenue for the use of money, franchise revenue for the use of a name, royalty revenue for the use of written or recorded material, tuition revenue for the use of educational resources and dues revenue for the services provided by a club or association are various forms of service revenue. All are accounted for in the same way.

Note that you do not recognize revenue prior to the period in which goods are delivered or the services performed. If your entity books a sales order for delivery in a future period, you have reason to rejoice. In accounting, however, no entry is made in the period in which the sales order is booked. You don't recognize revenue until the period in which the goods are delivered.

MATCHING PRINCIPLE. When a store sells a TV set for $400, it earns $400 of revenue. It does not have $400 of "income," however, because when it made the sale it also delivered the TV set from its inventory. Its assets decreased at that time by the cost of the TV set. This cost became an expense, called Cost of Sales. If the TV set cost $300, the income from this transaction was therefore only $100 (= $400 revenue − $300 expense).

When the same event has a revenue element and also an expense element, both elements must be reported in the same accounting period. The expense must be matched with the revenue. This event requires two entries, one for the revenue part and one for the expense part. For example, if your entity sells a TV set for $400 cash, and the TV set cost $300, the two entries are:

For the revenue element:

Dr. Cash	400	
Cr. Sales Revenue		400

For the expense element:

Dr. Cost of Sales	300	
Cr. Inventory		300

In order to make the second entry, you must have a way of finding the cost of the TV set. If the entity has a way of keeping track of the cost of individual items that it sells, this matching process is easy. If, however, the entity sells a large number of small-valued items, the work of keeping track of the cost of each of them is not worthwhile. In this case, other methods of finding cost of sales are used. These are described in a later section.

Relation of Balance Sheet and Income Statement Retained Earnings.

The amounts recorded in revenue and expense accounts for an accounting period are used in preparing the income statement for the period. These accounts are then transferred to equity because they are temporary accounts that show increases and decreases in equity.

This adds the income of the period to the equity section of the balance sheet. An account in the equity sections shows the accumulated amount of such income for all periods to date. A common title for this account is Retained Earnings. (The entries for making this transfer are described later.)

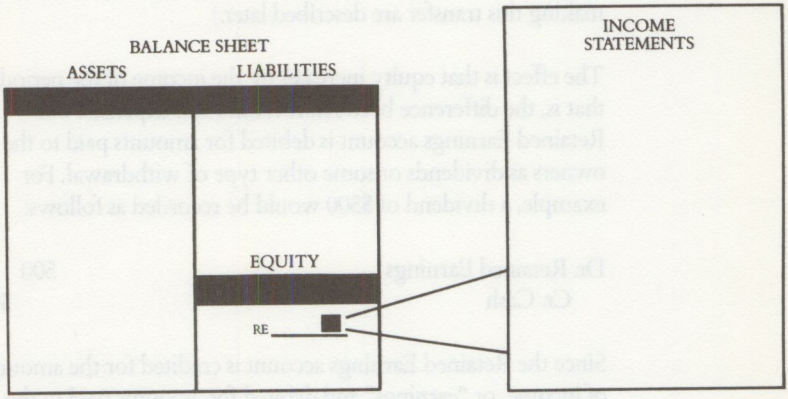
The effect is that equity increases by the income of the period, that is, the difference between revenues and expenses. The Retained Earnings account is debited for amounts paid to the owners as dividends or some other type of withdrawal. For example, a dividend of $500 would be recorded as follows:

Dr. Retained Earnings	500	
Cr. Cash		500

Since the Retained Earnings account is credited for the amount of income, or "earnings," and debited for amounts paid to the owners, the balance is the amount of earnings that have been retained in the entity, hence the name.

To some people, the word "retained," suggests that Retained Earnings stands for an amount of cash retained in the entity. This is not so. All the entity's cash is reported in its Cash account. Retained Earnings is one of the claims against that cash and also against the other assets.

INCOME STATEMENT. You report the revenues and the expenses of an accounting period on a financial statement called the income statement (also "profit and loss statement" or "operating statement"). Since revenues and expenses are increases and decreases in equity, the income statement explains changes in one item on the balance sheet.



There is no standard format. A tentative format is given in your program. You can use it as is, or you can tailor it, within limits, to produce information that is more meaningful to you. In this format, as is usually the case, the various items of revenue are shown first, the total revenue is calculated, and the expenses are subtracted below. The difference between revenues and expenses is income. Because it is at the bottom of the statement, the income amount is often referred to as the "bottom line."

PACKAGE OF ACCOUNTING REPORTS. Exhibit 1 shows the relationship of the balance sheet and the income statement.

Assume that Scott Company's balance sheet as of the end of January was that developed earlier. This same balance sheet is the balance sheet for the beginning of February; it is shown in the first column of the exhibit. The balance sheet as of the end of February is assumed to be as in the second column. The income statement for February is given below the balance sheets.

Note that the change in Retained Earnings during February, was $600 (= $600 − $0). As shown at the bottom of the Exhibit, this change was the net effect of two items: (1) the income for the period, $1,100 (as reported on the income statement); and (2) a dividend paid during the period, $500.

Note also that, although income in February was $1,100, Cash decreased by $2,700 (= $4,000 − $1,300). This emphasizes the point made repeatedly above: there is no necessary correspondence between the income of a period and the change in cash during the period.

In examining the activities of an accounting period, you will find it useful to consider (1) changes in assets and equities as shown by the differences in amounts between the beginning and ending balance sheets, and (2) the revenues and expenses of the period, as shown on the income statement.

We have described the general principles that govern an accounting system. In this section, we introduce the techniques for recording events that happen to the entity. These techniques are consistent with the principles. This section is an overview of the accounting process. Details are given in later sections of this handbook.

EXHIBIT 1

A PACKAGE OF ACCOUNTING REPORTS

"Balance Sheets"

Assets	As of Feb. 1	As of Feb. 28
Cash	$ 4,000	$ 1,300
Accounts receivable	0	1,600
Inventory	2,000	3,400
Furniture	5,000	5,000
Prepaid expenses	0	1,100
Total Assets	11,000	12,400
Liabilities and Equity		
Liabilities		
Accounts payable	1,000	1,500
Accrued salaries	0	300
Total Liabilities	1,000	1,800
Equity		
Paid-in capital	10,000	10,000
Retained earnings	0	600
Total equity	10,000	11,100
Total Liabilities and Equity	$11,000	$12,400

Income Statement for February

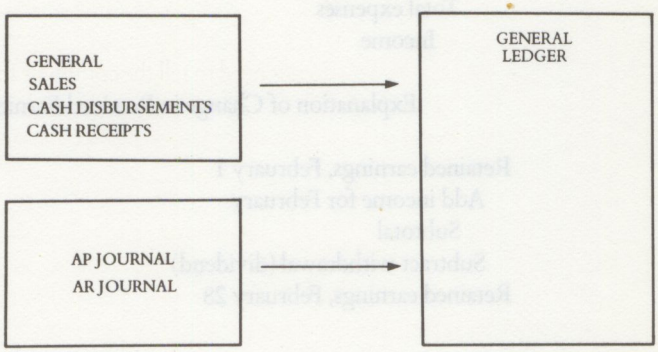
Revenues		
Sales revenue	$12,000	
Interest revenue	200	
Total revenues		$12,200
Expenses		
Cost of sales	$ 8,000	
Salaries	1,800	
Insurance expense	100	
Fuel expense	400	
Other expenses	800	
Total expenses		11,100
Income		$ 1,100

Explanation of Change in Retained Earnings

Retained earnings, February 1	$ 0
Add income for February	1,100
Subtotal	1,100
Subtract withdrawal (dividend)	500
Retained earnings, February 28	600

Journals and Ledgers

In a manual accounting system, the debits and credits for each transaction are first entered in a book called a "journal." The journal record for each transaction is called a "journal entry," or simply "entry." Later on, the journal entries are copied, or "posted," to another book called the "ledger." The journal lists the transactions in the order in which they occur, and the ledger contains a page for each account. In a manual system, the journal tells the bookkeeper which accounts are to be debited and which credited, and in what amounts. The bookkeeper carries out these instructions by posting journal entries to the ledger. Your computer does most of this work for you.



You start by deciding on the accounts that should be debited or credited for a given transaction and the amounts of the debits and credits. Most of these entries are repetitive and quickly learned. Most of those that will occur in your entity are described in later sections of this handbook.

Each account in the system has an identifying code or number. (In this description, we use names of accounts, rather than numbers, so as to make the procedure easier to follow.) You enter in the program's journal the number of each account affected by the transaction, its amount and whether the change is a debit or a credit. You make certain that debits equal credits. For many of these entries, the program provides specific guidance of the accounts that you should use. When you write checks, for example, there is always a decrease in the Cash account, which is a credit to Cash. You do not need to tell the computer that writing a check is a credit to Cash. The computer will automatically so record it and will ask you only what other accounts are affected by the transaction.

Unlike a manual system, you don't need to post these entries to accounts, and you don't need to change the balance in the account that results from debiting or crediting it. The computer does this without any effort on your part.

Cash Disbursements and Accounts Payable

CASH DISBURSEMENTS JOURNAL. When you write a check, there is a credit to Cash and a debit to one or more other accounts. You record these cash payments in the cash disbursements journal. The offsetting debit is, in most cases, to one of

the following three types of accounts:

1. A liability account.
2. An asset account.
3. An expense account.

The entry to a liability account is straightforward. If the check pays off a bank loan, which is shown as the liability Notes Payable, the debit is to that account. If the check pays a vendor who has extended credit shown as Accounts Payable, the debit is to that account. The second and third types of entries can cause problems, however. This is because the distinction between assets and expenses is, in practice, fuzzy. We will discuss both the principle, and practical shortcuts in applying the principle.

DISTINCTION BETWEEN ASSETS AND EXPENSES. The basic distinction between assets and expenses is this: If by making the cash disbursement the entity acquires something that benefits future periods, the debit part of the entry is to an asset account. This asset account appears on the balance sheet as of the end of the period. If the thing acquired is used up in the current period, the debit is to an expense account. Land, buildings, furniture, equipment and automobiles are assets. So are inventory, prepaid rent, prepaid insurance and other items that are paid for in advance of the period in which they provide benefits. Payment for the services provided by employees (salaries and wages), for telephone and electricity used in the current period and for other services used in the period are expenses.

SHORTCUTS. In practice, this distinction is not followed exactly, however. Some items that theoretically should be recorded as assets are debited to expense accounts. If the item were originally debited to an asset account, it would have to be debited to an expense account in the later period, or periods, in which it is used up. This causes additional recordkeeping. If the debit is made to expense immediately, this additional recordkeeping is avoided.

Consider pencils, as an extreme example. Pencils are in principle an asset. If you followed the accrual principle strictly, you would debit an asset account when pencils were purchased and you would debit an expense account in each month when these pencils were used up. As a practical matter, this amount of recordkeeping is not worthwhile. You debit the cost of pencils to an expense account when they are purchased. The amount is small. Also, if the amount of supplies purchased tends to be roughly the same from one month to the next, the effect of debiting an expense account immediately is about the same as with the alternative of first debiting an asset account and later transferring the asset to expense.

Supplies, small tools and similar items usually are debited to expense accounts when they are purchases. You may decide to debit the payment of property taxes to an expense account, even though the tax payment applies to several months. You may even decide to debit a payment for insurance protection to an expense account in the month you pay the bill, even though the insurance protection applies for a full year. The choice is up to you.

MATERIALITY PRINCIPLE. In making these choices, you

are applying the "materiality" principle, which is an accepted accounting principle: an entity can depart from the accrual principle if the effect of doing so is not material. The effect is not material if it does not mislead the user of accounting information. So, if a shortcut will give you approximately the information you need about how your entity has performed and what its financial condition is, you should use it and thus reduce the amount of recordkeeping.

You should be cautious about treating "chunky" disbursements as expenses. Chunky disbursements are those that occur in infrequent intervals, such as the insurance premium or the property tax mentioned above. If you record these amounts as expenses in the month in which you paid the bill, the income reported in that month will be artificially low and the income in the other months will be higher than was actually the case.

ASSET ACQUISITION COST. If you decide that the debit offsetting the credit to Cash is to be recorded as an asset, the amount of the asset should be the sum of all the costs incurred in making the asset ready for its intended use. The cost of goods purchased for inventory includes freight and handling costs as well as the invoice cost of the goods themselves. The cost of a building includes all the costs of constructing or buying the building, including demolition of an existing building on the site, legal and appraisal fees, permit and inspection fees and interest on any funds tied up during the construction period (but interest stops being added to the cost when the building is ready for use). The cost of equipment includes the cost of installing the equipment.

However, you may decide not to follow this principle exactly. For example, you may treat the freight, postage or other costs of handling goods that are purchased for inventory as expense, rather than including these costs in the inventory account. You do this if the effect is not material.

Assets are recorded at their total cost. Assume, for example, that the entity acquires a building for $100,000, but pays only $20,000 cash and takes out an $80,000 mortgage for the balance. The building is reported on the balance sheet at $100,000, not $20,000.

EMPLOYEE COSTS. When an employee works for the entity, the cost of each hour, or other unit of time, includes not only the salary earned but also the fringe benefits to which the employee becomes entitled because of having worked that hour. The cost also includes the FICA taxes levied on the entity for that hour of work (but not the employee's contribution to FICA). (FICA taxes are Social Security taxes and unemployment compensation taxes.) However, the accounting required to trace these costs to individual employees is more than many entities think is worthwhile, so they lump all these together as a separate expense item, often called "employee benefits."

Even though this shortcut is typically taken, you should always remember that the real cost of using an employee is much more than the salary. In the typical entity, these employee taxes and fringe benefits are about 25 percent of salary; in some, these costs amount to 50 percent of salary.

Employees do not receive cash equal to the amount they earn. Part of their salary is withheld as an advance payment on their

income taxes, and the employer sends this amount to the Internal Revenue Service. An amount is also deducted for the employees' contribution to Social Security. Deductions may be made for employee contributions to health plans, union dues and pensions. The expense to the entity is what employees "earn," not what they are paid.

When an employee has not been paid for work that was performed during a month, there is an accrued liability at the end of the month. If your employees are paid weekly, this liability will occur whenever the last day of the month is not the last day of a week (which typically is 10 or 11 of the 12 months in a year). Calculating the amount of accrued salary is time-consuming. You may decide that the work involved in making this calculation is not worthwhile. If so, you will record as an expense the amount earned by employees in the pay periods for which you made cash disbursements during the month.

DISTINCTION BETWEEN ACCOUNTS PAYABLE AND EXPENSES. According to the accrual principle, you record assets in the month in which they are acquired, even though the payment is not made until a later month. Also, you record expenses in the month in which they are incurred, even though payment is not made until later. In practice, the principle is not followed strictly. As with the distinction between assets and expenses mentioned above, the accrual principle may be disregarded if the effect on income is not material.

For example, telephone bills and other utility bills are not received until after the end of the month to which they apply. If you applied the accrual principle strictly, you would debit an expense

account and credit Accrued Liabilities in the month in which the telephone calls were made or the electricity consumed. Most entities do not do this. Instead, they record the expense in the month in which the bill is paid. Since the amount tends to be approximately the same from one month to the next, this departure from the "pure" accrual principle usually has no material effect on the accounts.

You may apply the same shortcut to other relatively unimportant items. We have already mentioned the practice of debiting supplies and similar assets to an expense account in the month of purchase. Expenses for repairs or maintenance done by outside contractors may be recorded in the month when the invoice is received, rather than in the month in which the work was done.

ACCOUNTS PAYABLE SYSTEM. If your entity buys on credit from a number of vendors, you will want to keep close track of the amount you owe and when the bills are due. If you pay the bills too early, you lose the interest that you could be earning on the cash. If you pay too late, you may lose a cash discount or injure your credit reputation. Also, you need to know when bills are coming due in order to plan to have the cash needed to pay them.

The Back to Basics Accounting System has an Accounts Payable module that provides this information. This module provides the summary information needed for the entry that credits Accounts Payable and debits the various asset and expense accounts that the vendor invoices represent.

ACCOUNTS PAYABLE FILE. If you don't have a large number of outstanding invoices, you may decide on a shortcut. Instead of recording accounts payable when invoices are received, you simply file the invoices in folders that are arranged according to the dates when payment is due. If payments are made in the same month, you remove the invoice from the folder and make an entry in the Cash Disbursements Journal when you write the check. If the invoices are not paid until a following month, you find the amount owed at the end of the current month by totaling the unpaid invoices. You credit this amount to Accounts Payable and debit to the proper asset and expense accounts. This is adjusting an entry, which will be described in a later section.

You may also decide not to record accounts payable in the accounts at all. You simply hold the invoices until you pay them. If the amounts are small, this procedure may be satisfactory. However, if the amounts are significant, the omission of Accounts Payable gives a misleading impression about the financial status of the entity.

Cash Receipts and Accounts Receivable

CASH SALES AND CASH RECEIPTS JOURNALS. You record cash receipts from sales to customer in the Cash Sales Journal, and other cash receipts in the Cash Receipts Journal. If you have a cash register, the cash register probably provides the data you need for the entry in the Cash Sales Journal. You make this entry whenever you remove cash from the cash register and deposit it in the bank. Basically, the entry is a debit to Cash and a credit to Sales Revenue, but there may be other aspects to it in certain circumstances.

You use the Cash Receipts Journal for other cash receipts. Cash

is debited and other accounts are credited, according to the source of the receipt. If the cash is received from customers in payment of their bills, you debit Cash and credit Accounts Receivable.

SALES TAXES. Many sales are subject to a sales tax. In addition to the price of the item itself, the customer pays a tax that is a specified percentage of the price. In principle, the sales tax is "not" revenue. The entity is merely acting as a collection agent for the government. The collection of the tax creates a liability to the government, Sales Taxes Payable, which is equal to the debit to Cash or Accounts Receivable. Equity is unaffected, so there is no revenue.

Nevertheless, many entities include the sales tax as part of sales revenue. Their managers decide that the work of keeping track of the sales tax on each transaction separately is not worthwhile. An entity that takes this shortcut must remember to record the sales tax liability to the government.

ACCOUNTS RECEIVABLE MODULE. If your entity has a number of charge customers, or it if is an association that collects dues or other charges from members, you will want to keep track of the amounts owed to you. The Back to Basics Accounts Receivable module does this. It also maintains a record of how much each customer has purchased in the year to date, credit terms and limit for the customer, the amount of current bills that are overdue and other information about the customer.

The Accounts Receivable system can be used to prepare statements to customers, including dunning notices to customers whose accounts are past due. It will calculate and add a finance charge, which is a penalty levied on customers who do not pay their bills on time. It will print several summary reports giving information about customers.

Information in this module is the basis for the entries relating to sales on credit. When sales are made, the debit is to Accounts Receivable and the credit is to Sales Revenue (and to Sales Tax Liability, if this account is kept). When cash is received from customers, the debit is to Cash and the credit is to Accounts Receivable. If the customer takes a cash discount, this is part of the entry: Sales Discount is debited. If the customer pays a finance charge, this is part of the entry: Finance Charge Revenue is credited. Other variations are also possible; they are described in a later section of this handbook.

Adjusting and Closing Entries

When cash is received or paid, or when an invoice is received or paid, or when an invoice is received from a vendor, the need to make an entry in the accounts is obvious. Many of the entries required by the accrual principle are not obvious, however. You must take special steps to insure that the proper entries are made.

ADJUSTING ENTRIES. In the fuel oil example given above, the $900 payment to the fuel oil dealer in January obviously requires a credit to Cash and a debit to Fuel Oil Inventory. (Or, if the fuel oil had been purchased on credit, the dealer would

send an invoice, and this would require a credit to Accounts Payable and a debit to Fuel Oil Inventory.) During February, March and April, however, no outside record calls your attention to the need for the entries debiting Fuel Oil Expense and crediting Fuel Oil Inventory.

Many entries required to apply the accrual principle may be overlooked if procedures are not set up for them. The Back to Basics Accounting System recognizes this and provides for a series of entries, made at the end of the month, to enter the effect of accruals. These entries are called "adjusting entries." They adjust the accounts so that the amounts reported as expenses and revenues for the period reflect the actual decreases and increases in equity during the period and so that the balance sheet amounts reflect the financial condition (subject to the shortcuts discussed earlier). Some of these entries are "standard"; that is, if the entity purchases a one-year insurance policy for $1,200, there is an expense of $100 for the insurance protection provided in each of the next 12 months. Once this fact is entered in the program, the computer will make this monthly entry automatically. This is a way of insuring that the need to make the entry is not overlooked, which frequently happens in a manual system.

COST OF SALES. If your business involves the sale of merchandise, it is important that the cost of merchandise sold be "matched" with the revenue earned from the sale of this merchandise. Unless both revenue and cost amounts for a given item of merchandise are reported in the same month, income can be seriously distorted. If the revenue is reported in January but the related cost of sales is reported in February, January income will be too high and February income will be too low. Also, the

"gross margin," which is the difference between sales revenue and cost of sales, will be incorrect. Gross margin is an important number to watch.

If your business is one in which you know the cost of individual items of merchandise, as is the case with "big ticket" items such as automobiles, refrigerators and television sets, the matching process is easy. You simply record the cost of sales at the same time that you record the sales revenue.

If, however, it is not practical to keep track of the cost of each item in your inventory, measuring cost of sales is more difficult. One possibility is to take an inventory at the end of the month. This inventory tells you the total dollar cost of goods on hand at that time. You can then calculate cost of sales by the process of "deduction." You know the inventory at the beginning of the month and the purchases during the month. The sum of these amounts is the goods you had available for sale. You assume that if these goods were not in inventory at the end of the month, they were sold. You therefore find cost of sales by subtracting the ending inventory from the goods available for sale. (You may also make an allowance for pilferage, spoilage or other causes of "inventory shrinkage," if shrinkage is significant.) However, taking a physical inventory can be time-consuming. Many entities do this at the end of the year; few do it every month. Another method of finding cost of sales is called the "retail method." Presumably, you know the "markup," that is, the percentage that you add to the cost of merchandise in order to arrive at the retail selling price. Also, you may have at least an approximate idea of the "markdowns" from the normal retail price that you make during bargain sales periods. You can use this information to arrive at an approximate number for cost of sales. If

your cost of sales is normally 60 percent of your retail price, then your approximate dollar cost of sales is 60 percent of your sales revenue, adjusted for markdowns in months in which bargain sales occur.

Several methods are available for making the adjusting entry for cost of sales. Often, the easiest is to debit Cost of Sales and credit Inventory for the estimated cost of the sales made during the month.

In a business that sells merchandise, the cost of sales is an important number. In a service entity, this problem does not arise.

DEPRECIATION. Long-lived assets are often called "fixed assets." Except for land, which usually can be used indefinitely, long-lived assets have a limited useful life. The number of accounting periods over which an asset is expected to be useful is called its "service life." In accounting, a portion of the cost of a long-lived asset is debited as an expense in each period of its service life. This portion is called the "depreciation expense" of the period. The principle is exactly the same as that for prepaid expenses, such as the insurance policy described earlier. A one-year insurance policy provides protection for each of the next 12 months, and 1/12 of the prepaid amount becomes an expense in each of those months. If a long-lived asset has a service life of 120 months (that is, 10 years), a portion of its cost becomes an expense in each of those months.

The Back to Basics Accounting System calculates depreciation expense on the "straight-line basis," which is the method used in most entities. In this method, an equal fraction of the asset's cost

is debited to Depreciation Expense in each month of the asset's service life. (The "service life" of the asset is usually less than its physical life. Many assets are expected to become obsolete, and therefore no longer of service to the entity, long before they physically wear out.) If an asset costs $12,000 and is expected to have a service life of 120 month, 1/120 of the $12,000, or $100, is debited as depreciation expense in each of the 120 months. When plotted on a graph, the depreciation expense each month is a straight line, hence the name.

If you expect that the asset will have a resale value, or "residual value," at the end of its service life, you can subtract this amount from the original cost in calculating the amount to be depreciated. Many entities, however, disregard the residual value on the grounds that it is too difficult to estimate and that the proceeds of sale may be offset by removal costs.

ACCUMULATED DEPRECIATION. When prepaid insurance is debited to an expense account, the offsetting credit is to the asset account, as described in the preceding section. The procedure for long-lived assets is different. Instead of crediting the asset account directly, the credit is to a special account called Accumulated Depreciation.

Such as account is called a "contra" account, because it records a decrease that basically belongs to another account. Accumulated Depreciation represents decreases that could have been made directly to the asset account. The debit and credit rules for a contra account are those that would apply if the entry had been made to the account for which it is the "contra." Thus, since "decreases" in asset accounts are credits, "increases" in the contra account, Accumulated Depreciation, are credits.

With this procedure, the balance sheet reports both the original cost of the asset and the accumulated depreciation to date. The difference between Accumulated Depreciation and the original cost of the long-lived asset is called "net book value."

Note that the depreciation expense for a given asset is the same each month but that Accumulated Depreciation increases by the amount that is added to it each month. Thus, for the asset illustrated above, depreciation expense for the 90th month (that is, 3/4 of the way through the asset's life of 120 months) would be $100, just as in every other month, but Accumulated Depreciation would be reported as $9,000 (= 90 months x $100).

When Accumulated Depreciation builds up so that its total equals the original cost of the asset, you should not record any more depreciation expense. At that time, depreciation stops, even though the asset is still in use.

Your computer will make the depreciation entry automatically each month as one of the adjusting entries, provided you have instructed it to do so and have entered the cost and the useful life of each depreciable asset. For the asset illustrated above, the entry each month would be:

Dr. Depreciation expense	100	
Cr. Accumulated depreciation		100

GAINS AND LOSSES. The service life and residual value of a long-lived asset are necessarily estimates, because no one knows how long the asset will provide service. Typically, these estimates are rough. Thus, when an asset is sold or disposed of, the amount

realized, if any, is likely to be different from its net book value at that time. If the amount realized is more than the book value at that time, there is a "gain," and, if less, there is a "loss." The entry removes both the asset's cost and its accumulated depreciation. For example, assume that the asset illustrated above was a machine that was sold for $4,000 cash at the end of the 90th month. At that time, its cost was $12,000, its accumulated depreciation was $9,000, so its net book value was $3,000. The following entry records the receipt of cash, the gain, and the removal of the asset and its accumulated depreciation from the books:

Dr. Cash	4,000	
Dr. Accumulated depreciation	9,000	
Cr. Machine		$12,000
Cr. Gain on sale of asset		1,000

The gain or loss on the sale of a long-lived asset is treated just like revenues (if a gain) or expenses (if a loss) on the income statement of the period in which the asset is sold or discarded.

DEPRECIATION IS NOT CASH. Note that the procedure for recording depreciation expense does not involve cash. Cash was paid out (or a liability was created) when the asset was acquired. Thereafter, the accounting entries for depreciation merely charge a fraction of the acquisition cost to each accounting period. Some people believe that Accumulated Depreciation represents an amount of cash that is available to buy new assets. This is dead wrong. The amount of cash that an entity has is reported as the Cash item on its balance sheet, nowhere else.

COST ALLOCATIONS. Some costs that the entity incurs during a period may be debited to more than one expense or asset account. For example, if you separate the entity into "departments," some of the general and administrative costs may be attributable to several departments. Or, if you construct a building, some of these costs are part of the cost of the building. In principle, some fraction of the costs that are incurred for several purposes should be charged to each of these purposes. The process for doing this is called "cost allocation."

The governing principle is that each purpose should bear its "fair share" of the total cost. However, many people believe that the allocation of costs isn't worth the bookkeeping effort involved in making the allocations. They therefore charge each department only with the expenses that are "directly traceable" to that department. They record all the other expenses as general expenses and do not try to allocate them to departments. These other expenses are called "overhead."

If you decide to allocate costs, you should consult a book on cost accounting for the techniques for doing so.

CLOSING ENTRIES. Revenue accounts represent additions to equity during the month, and expense accounts represent decreases. The transactions recorded in these accounts could have been made directly to equity. They are collected in separate accounts because information about individual revenue and expense items is of great interest to management. These accounts are temporary subdivisions of equity.

At the end of the month, all revenue and expense accounts are

"closed" to equity, and they therefore start the next period with a balance of zero. For example, assume that sales revenue for the month was $12,000. The Sales Revenue account is a revenue account and therefore has a credit balance. You close it by making an entry to the opposite side of the account:

Dr. Sales revenue	12,000	
Cr. Profit/Loss		12,000

The debit to Sales Revenue of $12,000 equals the credit balance of $12,000, so the balance in the account becomes zero.

Assuming that the Salaries Expense account was $1,800, you close it by the following entry:

Dr. Profit/Loss	1,800	
Cr. Salary expense		1,800

Profit/Loss is a temporary account. During the year, the monthly profits or losses are accumulated in it, so the account shows the total profit (or loss) for the year to date. At the end of the year, the profit for the year is transferred to Retained Earnings. Assuming a profit for the year of $13,000, the entry would be as follows:

Dr. Profit/Loss	13,000	
Cr. Retained Earnings		13,000

In a manual system, the closing process is tedious and time-consuming, and errors are likely to occur when amounts are copied from the journal to the ledger. The computer does the work with standard journal entries and without errors in copying.

Accounting is not an end in itself. You collect accounting information solely because you will use it for some purpose. You do not spend more effort on collecting the information than the results warrant. (This is the "benefit/cost" principle: the benefits of using accounting information should exceed the costs of collecting it.) In this section, we describe briefly some of these benefits.

Required Reports

Most entities must report to some outside parties. All entities with employees must report information about the earnings of and amounts withheld from these employees. Profit-oriented entities must file income tax returns. If they collect sales taxes, entities must report and remit the amounts collected. Many nonprofit entities must report to the government and/or to organizations that provide them with resources. A corporation must report to its shareholders. If an entity wants to borrow money, it usually must furnish financial information to the prospective lender.

Information of this type must be collected, and it must be collected in the way that recipients specify. Much of this information is also useful in managing the entity. The point is that any additional information is optional. You collect is only if you decide that the benefits of doing so are worth more than the cost of keeping the accounting records.

Operating Information

You need certain information in managing day-to-day operations. Most entities want to know daily how much cash they have to work with, so cash receipts and cash disbursements are entered into the computer every day.

If customers or others owe money, you want up-to-date infor-

mation on the status of their accounts. The Accounts Receivable module provides this information. Similarly, the Accounts Payable module provides information on the amounts owed to others. You will use this operating information in addition to the information reported on the monthly balance sheet and income statement.

Income Tax Accounting

Profit-oriented entities must calculated their "taxable income" and pay an income tax based on that income. In this overview, we have described the measurement of income according to generally accepted accounting principles. This type of income is called "financial accounting income." With one minor exception (in calculating cost of sales), entities are not required to measure their financial accounting income according to the rules published by the Internal Revenue Service for calculating taxable income. It is an accepted legal principle that entities are entitled to calculate their taxable income according to whatever legitimate method results in the lowest income tax. The objective of measuring financial accounting income is quite different: you want to calculate income in the way that shows you what actually happened to the entity.

In your financial accounting, you are not bound by the income tax regulations. Nevertheless, you probably will handle the great majority of transactions in the same way for both tax accounting and financial accounting, and you will use information from your accounting system as a basis for most the items on your income tax return. To do otherwise requires you to keep two separate sets of books, and this extra bookkeeping is not necessary for most items.

In at least two areas, it may be worthwhile to use different methods for the two types of accounting. They are cash basis accounting and depreciation.

CASH BASIS ACCOUNTING. The tax regulations permit business to figure their taxable income on a cash basis, rather than on the accrual basis that underlies financial accounting. Cash basis accounting can result in "postponing" the payment of income tax, although it ordinarily doesn't reduce the total amount of income tax over a period of years. For example, if sales revenue is reported only when cash is received from credit customers, rather than when the sale is made, taxable income tends to be postponed to a later year. You will, however, eventually pay a tax on the same amount of income.

Calculating taxable income on a cash basis is usually easily done by using the records that you are keeping for financial accounting purposes. Most businesses make this calculation only at the end of the year, not monthly.

DEPRECIATION. In financial accounting, the depreciation mechanism spreads the cost of a long-lived asset over its entire service life. Tax accounting takes a different approach, called the "accelerated cost recovery system (ACRS)." As the name suggests, ACRS recovers the cost of the asset "faster" than the financial accounting method. Since the result is a higher depreciation deduction in the early years, and hence lower taxable income in those years, you probably will use this method for income tax purposes. (In some unusual situations, accounting depreciation does result in lower taxable income.)

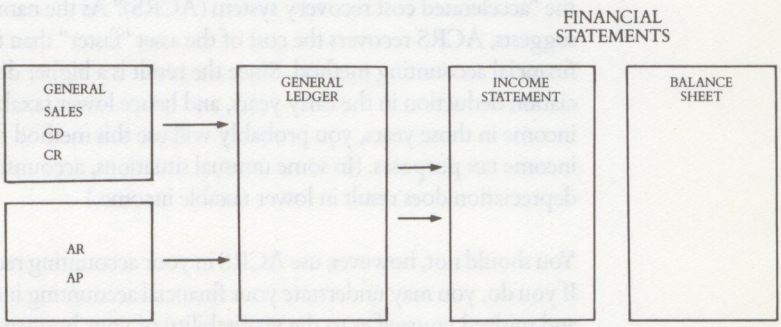
You should not, however, use ACRS in your accounting records. If you do, you may understate your financial accounting income and mislead yourself as to the profitability of your business. For this reason, your computer is programmed to record straight-line depreciation, not ACRS.

In applying the techniques mentioned above, as well as other aspects of income taxation, most businesses call on an income tax expert for help. The rules of income tax accounting are much more complicated than those of financial accounting. If you fail to take full advantage of these rules, you will pay more income taxes than you need to. Or, if you do not follow the rules, you may pay a sizable penalty.

Nonprofit organizations do not pay income taxes (unless they also engage in profit-making activities). However, many of them must file financial statements with the state or federal government or with agencies such as the United Way. In general, these financial statements are prepared in accordance with the financial accounting rules described in this overview, but the details vary according to the requirements of the individual agencies.

Analysis of Financial Statements

At the end of the each month, your computer will print out a balance sheet and an income statement. For income tax purposes, for the official financial statements and for most other reports, only annual statements are needed. Obviously, this monthly information is not worth its cost unless you use it.



BALANCE SHEET ANALYSIS. If you are in a "cash bind" or other financial crisis, you will of course pay close attention to your cash position. You will look primarily at the "monetary" assets and liabilities. Monetary assets are cash and those assets that will be turned into specified amounts of money. Monetary liabilities are liabilities that require the payment of specified amount of money. (Most liabilities are monetary.) You can estimate how much cash will be coming in from payments on accounts receivable and cash sales and how much cash you must disburse for payroll, current invoices and accounts payable.

If you are in the fortunate position of having ample cash, you still need to examine the situation. Perhaps in your checking account you have more cash than you need. If so, you may consider moving some of it to a money market fund or another place where it will earn a good return for you. (Some investment institutions will automatically transfer your excess cash from a checking account to an investment that earns a higher return.)

In examining the cash position, you should remember that the bank's records probably show that your entity has more cash than the entity's Cash account shows. This is because you make a credit to Cash on the day you draw and mail the check, but the bank does not reduce your cash balance until the check has been deposited by the recipient and has cleared through the banking system. This takes at least a few days, even longer if vendors or employees are slow in depositing your checks.

Thus, a forecast of your future cash position may indicate that you should be thinking about obtaining more cash—by borrowing, or by reducing your expense—or that you are likely to have unneeded cash, which should be invested in some instrument that earns a return for you.

People differ in their approach to these financing decisions. The old adage is: "Choose between sleeping well and eating well." If you maintain ample reserves of cash, you have a cushion against unforeseen cash needs, and you therefore can sleep without worries. If you keep your checking account balance to a minimum, you have more funds to place in higher earning investments, which means you can "eat well," but you also have more worries.

INCOME STATEMENT ANALYSIS. The income statement shows the entity's financial performance for the month. You will want to consider whether performance was as good as it should have been, and, if not, why not.

In order to do this, you must compare actual performance with some indication of how the entity should have performed. The best basis for comparison, usually, is a budget. A carefully thought-out budget indicates your judgment of what the entity's income should be, based on all the information available at the time it was prepared. You will examine each revenue and expense item. A significant difference, or "variance," between budgeted and actual amounts focuses your attention on areas that need looking into.

If you collect revenue and direct expenses by "departments" (which may be product lines, physically separate sub-units or any other useful way of subdividing revenues), you can pinpoint the source of the variances even more closely.

In addition to, or instead of, a comparison with budgeted amounts, you may want to compare revenue and expense amounts for the current month with those for the preceding

month or for the same month a year ago. Also, a comparison of results for the year to date with the budget or with results in the preceding year to date may be useful because it tends to average out temporary influences that distort the results for a given month.

Computer software, such as the PeachCalc electronic spreadsheet, is useful in making such comparisons.

BUDGETING AND FORECASTING. You probably will make the analyses described above every month, or at least every few months. Once a year, you will probably find it helpful to use the financial information as a basis for preparing a budget for the coming year. The income statement is the starting point in such an exercise. You adjust the numbers on the historical income statement according to your best estimate of how revenues and expenses will be different in the year ahead.

If your first cut at such an estimate does not indicate that the entity is going to earn a satisfactory income, you will consider what needs to be done to correct the situation: Cut expenses? Increase advertising and other marketing expenses in order to generate more revenue? Discontinue activities that are not performing satisfactorily? Or find new ways to earn revenue? The possibilities go on and on. The point is that preparation of a budget gets you thinking about what, if anything, needs to be done in order to produce a satisfactory income next year, and this permits you to take the necessary action ahead of time.

In many entities, managers expect that the historical income statement will "contain no surprises." The expected results are set forth in the budget and are modified by the manager's judgment as to the effect of changes in conditions since the budget

was prepared. With a well-prepared budget and a good feel for what is going on currently, the financial statements essentially confirm what the manager already knows. Such confirmation is, of course, extremely important.

In addition to the budget, you probably also will forecast the entity's need for cash. The basic approach is the same as that already described, but in the annual exercise you will be considering alternatives that have long-range consequences. If the business is seasonal, for example, a review of the monthly balance sheets may indicate that you need to plan for borrowing in months of peak cash needs and for investing excess cash in other month. Discussing these needs with your bank well in advance will add you your reputation as an astute manager.

The computer spreadsheet can be used for these analyses. It readily permits "what if?" calculations: What will happen to income and to cash if the entity does such and such next year? The computer will make these calculations rapidly, so rapidly that you can try out a number of possibilities in an hour or so and decide which one is best.

ACCOUNTING MEASURES COSTS, NOT VALUES. Throughout this overview, we have made little mention of market values. When an asset is acquired, the price paid for it was probably its value at that time. Thereafter, however, accounting traces what happens to the "cost" of the asset—for long-lived assets, how much of the "cost" is debited as an expense each period; for inventory, what was the "cost" of the goods sold in the period. If land was acquired ten years ago at a cost of $10,000,

it appears on the most recent balance sheet at $10,000 even though its market value may have doubled during the 10 years.

There are at least three reasons for the emphasis on costs, rather than on values: (1) The current market value of most assets is difficult to estimate, and accounting reports based on such estimates would be unreliable. (2) Except for inventory held for sale, most non-monetary assets are going to be used in the operation of the entity. Since they are not going to be sold, you do not need to know their market value. (3) Accounting traces the amount of funds invested in various assets, and these funds represent the cost of the asset at the time the investment was made.

Many people believe that the balance sheet reports the value of assets. Except for cash, accounts receivable and similar monetary assets, this belief is completely wrong. The balance sheet reports the cost of assets. For long-lived assets, the balance sheet reports the portion of the cost that has not yet been debited as depreciation expense.

The total of the assets side of the balance sheet is not the value of the entity. The value of the entity is that someone is willing to pay for it, which usually bears little relation to the amount reported as assets.

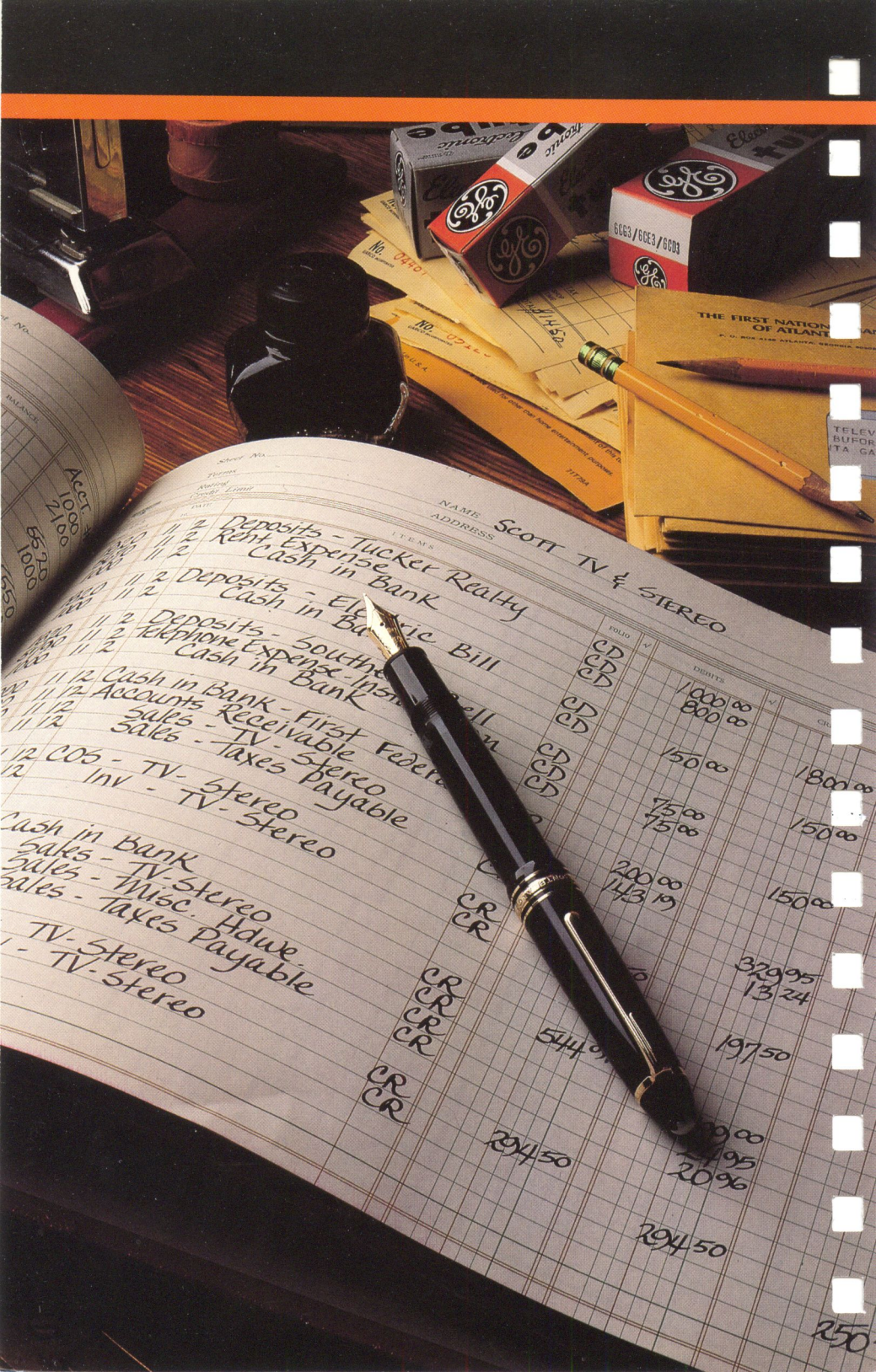
Similarly, the amount reported as equity on the right-hand side is not the value of the equity. Although this amount is sometimes referred to as "net worth," it does not measure what the owner's claim on assets is worth. Failure to appreciate this point is one of the most common causes of misunderstanding about the meaning of accounting numbers.

Concluding Comment

This has been an "overview" of accounting. It describes the main ideas, but by no means discusses all the problems that arise in accounting for even a small entity. If you belong to an industry association, the association may have publications that explain the accounting techniques appropriated for your industry.

For further study of the general subject, you may want to use the programmed text "Essentials of Accounting," Robert N. Anthony (Reading, MA, Addision-Wesley Publishing Company, 3d edition, 1983); or its computer version, "Teach Yourself Essentials of Accounting," also published by Addison-Wesley.

A more thorough discussion will be found in the text "Accounting Principles," Robert N. Anthony and James S. Reece (Homewood, IL, Richard D. Irwin Inc., 5th edition, 1983).


NAME Scott TV & Stereo
ADDRESS
ITEMS
FOLIO
DEBITS
Deposits - Tucket Realty
Rent Expense
Cash in Bank
Deposits - Electric Bill
Cash in Bank
Deposits - Southe
Telephone Expense - Inst
Cash in Bank
Cash in BANK - First Feder
Accounts Receivable
Sales - TV - Stereo
Sales - Taxes Payable
COS - TV - Stereo
Inv - TV - Stereo
Cash in Bank
Sales - TV-Stereo
Sales - Misc. Hdwe.
Sales - Taxes Payable
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THE FIRST NATION
OF ATLANT
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103 REFERENCE GUIDE
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This section will explore the features of the Back to Basics General Ledger. You will learn what planning you need to do before you start, how to set up the system and how to use the system in daily use.

To illustrate these steps, we will follow the story of Jim and Vera Scott, who have just opened Scott's TV & Stereo, a sales and service company, and are using the Back to Basics Accounting System to help them with their accounting. You can get acquainted with the procedures used in the Back to Basics General Ledger by making the same entries on your computer that Jim and Vera make on theirs.

Planning the installation.

Before installing the Back to Basics General Ledger, you should do a little planning so you can make the best decisions about the installation for your company. You will have to decide on the form of your Chart of Accounts, whether or not to use certain options available in the system and how to tailor the system to meet your needs.

Jim and Vera have given some thought to their business accounting and have looked carefully at the standard Chart of Accounts supplied with the Back to Basics General Ledger (shown in the Appendix). While it is not exactly what they need, it appears that it will be easier to start with it and make changes rather than enter a whole new Chart of Accounts. There will be only a few account balances to enter, since they are just starting business. Had they been in business for a while, they would have gotten a copy of their latest Trial Balance and entered those balances.

After reviewing the Reference Guide for the General Ledger module in the Back to Basics Accounting System Handbook to get an idea of the decisions they will need to make, they begin the installation.

Startup Procedures.

Before actually beginning the startup procedures, Jim and Vera turn to the section in their *Hardware Booklet* called "General Procedures." In this section they learn about the types of entries and selections they will be making and the specific steps necessary for their type of computer. You should also read this section before going further.

Jim and Vera now turn to their Hardware Booklet for instructions on loading the system for the first time. Following the instructions, they begin loading General Ledger.

The first question the program asks is whether or not they have created their "data disk." Since this is the first time they have started the system, they enter "N."

The next question refers to the type of disk drives they have. Since you may not have the same type of computer that Jim and Vera have, you should refer to your Hardware Booklet and make the appropriate reply, if this question appears on your system (not all computers will have this question).

STARTUP DATE. Next, the program asks them to enter a "startup date." This is the day the program will use as a beginning point for their bookkeeping. From then on the system will automatically increment the month and year during month-end and year-end posting. They are starting business the first week in November, so they enter "11/84."

COMPANY ID. After they enter the startup date, the computer

asks them to enter a six-character company ID. Jim and Vera have decided to use their company name as their company ID and enter "SCOTTS."

PASSWORD. Then the program asks them to enter a password. Jim and Vera decide not to use a password and press the RETURN key to leave this field blank. Had they wanted to use the password feature, they would have entered a six-letter code that they could remember easily.

COST OF SALES. Next they are asked if they will be using the Cost of Sales option for their Income Statement. Reading about the Cost of Sales option in the General Ledger Reference Guide, they learn that the system will give them a subtotal on the Income Statement called "Gross Profit," which will be the difference between the Income accounts (account numbers 4000-4499) and the Cost of Sales accounts (account numbers 4500-4999). Since they anticipate selling TVs and stereo systems from inventory, in addition to providing repair service, they decide to use the Cost of Sales option and reply "Y" to the question. Had their company been strictly a service company—that is, if they did not have any sales of merchandise—they would have chosen not to use the Cost of Sales option and replied "N."

STANDARD CHART OF ACCOUNTS. The next question to appear asks if they want to use the "standard Chart of Accounts." Having reviewed the list of this Chart of Accounts,

they have decided to start with it and make changes, so they enter "Y." If there had been many changes, they could have chosen to enter their own Chart of Accounts, following the guidelines presented in the "Planning Ahead" section in the General Ledger Reference Guide.

Finally, the question "Record this information (Y/N)?" appears. They enter "Y." Had they harbored any doubts, or if they just wanted to review their answers, they could have entered "N" and, using the ESCAPE key, stepped backwards through the questions to see their replies. If they discovered any errors they wanted to correct, they could make the changes as the questions reappeared. To go forward, they could press the RETURN key until they came back to this question.

After they reply "Y" to the question, the program asks them to label a blank disk and put it in their second disk drive. (If you are following along, the program will display the appropriate instructions. You may also read more about this procedure in your Hardware Booklet under "Create G/L Data Disk.") Jim and Vera put a blank disk in the drive and press the RETURN key. (If you are using an old disk that has old information on it, the program may ask you if you want to use this disk. Be careful, as any information you had on the disk will be erased.)

The Startup Menu

After the program finishes writing the initial information onto the data disk, it displays the Startup Menu. Jim and Vera can select the steps they need to do to finish setting up General Ledger for their company. At this point they refer to the "Recommended Startup Sequence" section in the General Ledger Reference Guide. Here they find that the first selection they should make is "System Configuration." They do this by entering the menu selection number (2).

COMPANY NAME. The "Configuration Menu" appears next. Still referring to the recommended startup sequence, the Scotts select the Company Name option. The program then asks them to enter their company name (with a maximum of 30 characters) as they want it to appear on their reports. They enter "Scott's TV & Stereo."

HARDWARE INFORMATION. After they have entered their company name, the system records the information and returns to the Configuration Menu. The Scotts then select the Hardware Information option to tell the program about their printer. At this point, Jim and Vera refer to the Hardware Booklet to learn the appropriate responses to the questions displayed. If you are following along, you should refer in the Hardware Booklet to the section titled "Hardware Configuration: Printers" to determine the appropriate responses for your computer and printer.

After entering the information about their printer, they return to the Configuration Menu. At this point in the "Recommended Startup Sequence," the Scotts are told to return to the Startup Menu, which they do by selecting the last option on the men (they could also use the ESCAPE key) to exit the Configuration Menu and return to the Startup Menu.

GENERAL LEDGER MAINTENANCE. Jim and Vera decide to set up their Chart of Accounts. While they were planning what their Chart of Account was going to look like, they decided that they needed to track their Inventory, Sales and Cost of Sales accounts more closely. To do this, they are going to add accounts

for the major areas they are going to track. These are TV and Stereo, Records and Tapes, Miscellaneous Hardware and Service and Repair.

As part of the planning they have done, they have organized their changes to the "Standard Chart of Accounts" into three groups; accounts that they will delete, those that will be changed and new accounts they will add.

DELETING UNWANTED ACCOUNTS. To get to the General Ledger Maintenance section, they enter option 1 from the Startup Menu. To delete the unwanted accounts, they select option 3 from the G/L Maintenance Menu.

The accounts they wish to delete are:

1050	Money Market
1560	Buildings
5240	Contract Labor

Jim enters the first account number, 1050, under "NUMBER" and sees the program display the account name "Money Market." This is the account he wants to delete, so he enters "Y" to the question "Delete this account?" Had this not been the right account, Jim could reply "N" and the program would not delete the account. Jim continues in this manner, pausing after each account number to verify that he has entered the correct number, until he has deleted all of the accounts. When he has finished, he uses the ESCAPE key to return to the G/L Maintenance Menu.

MODIFY AN ACCOUNT NAME. Vera selects the Modify an Account Name option (2) to enter their changes. The account names they want to change are:

1200 Inventory	to	Inv - TV & Stereo
1580 Land	to	Vehicle
4000 Sales Revenue	to	Sales—TV & Stereo
4500 Merchandise Purchases	to	COS—TV & Stereo

She enters the first account number, 1200, and sees the program display the current name "Inventory." This is the account she wants to change, so she types in the new name, "Inv—TV & Stereo," and presses RETURN. If she had typed the wrong account number, she could tell the system this by just pressing the ESCAPE key, and the program would not make any changes to the account. She continues like this for each of the changes and then uses the ESCAPE key to return to the G/L Mainte nance Menu.

ADD ACCOUNTS. Next Vera selects the "Add Accounts" option to enter their new accounts. These accounts are:

1210 Inv—Records & Tapes
1220 Inv—Misc. Hardware
4010 Sales—Records & Tapes
4020 Sales—Misc. Hardware
4030 Sales—Service & Repair
4510 COS—Records & Tapes
4520 COS—Misc. Hardware

She enters the account number 1210 on the first line under

"Number" and the title "Inv—Records & Tapes" next to it under "Name." She presses RETURN and the program moves to the next line. There she enters the second account, 1220, "Inv—Misc Hardware," the same way. On the last line under "Number" she enters "END" to tell the program she is finished adding accounts. She could have entered as many as 10 new accounts before the program would have paused to write the information to the data disk. Had she tried to use an account number that was already in the Chart of Accounts, the program would have told her this and not allowed her to enter the account.

STARTUP REPORTS. At this point, Jim and Vera decide to print a listing of their Chart of Accounts so they can verify their entries. They use the ESCAPE key to exit the G/L Maintenance Menu and return to the Startup Menu. Here they select option 3, Startup Reports, to get their listing. The program displays the Startup Reports Menu, and they select option 1, Chart of Accounts.

The program displays the date (which they can change) and asks them if they want to print the report or display it on the screen. They decide to print it. (Note: Some computers cannot display the report on the screen, and on those the question will not be asked.)

After checking over their new Chart of Accounts and finding no errors, they decide to enter the account balances. Vera exits the Startup Reports menu and returns to the Startup Menu. Here she selects the General Ledger Maintenance option.

ENTER ACCOUNT BALANCES. From the menu Vera selects the option to Enter Account Balances so she can enter the beginning balances for the accounts.

The current Chart of Accounts and the existing balance for each account are shown on the screen. The cursor waits at the D/C column, where she can enter a D for a debit balance or a C for a credit balance. The program assumes the "normal" account balances based on the account number range (Assets, Liabilities, etc.), but this can be changed for accounts with the opposite balance, such as contra accounts. To accept the assumption just press the RETURN key, or you can enter the correct value, D or C. To skip an account or a number of accounts, press the RETURN key until the cursor reaches the next account.

The Scotts want to set up balances for the accounts that reflect their initial investment of $3,000 in the business. The first account on the screen, Cash in Bank, is the first account balance they want to change. The account balance is a debit, so Vera presses the RETURN key to accept the assumed value, D for debit, (she also could have entered a D for debit). Then, under the Amount column, she enters the figure 3000. She sees the message at the bottom of the screen "LEDGER OUT OF BALANCE" change from $0.00 to $3000.00, indicating that the debits exceed the credits by $3000.00.

Now to get to the Paid In Capital account (account number 3000), she continues to press RETURN until she reaches it. Here also the D/C assumption is correct (C for Credit), so she presses RETURN. For the balance, she enters 3000. At this point she notices that the message at the bottom of the screen returns to zero, indicating that the debits equal the credits.

Having entered all the balances, Vera now presses RETURN to step through the remaining fields. At the end of the Chart of Accounts, the program asks if she wants to save this information to the data disk. She enters "Y," and the program begins writing the information onto the data disk. If she wanted to step back through the accounts to make a change, she could have replied "N" and used the ESCAPE key to back up (and the RETURN key to go forward). After the information has been recorded, the program returns to the G/L Maintenance Menu.

Vera then returns to the Startup Menu by using the ESCAPE key.

The Scotts have made only two entries to their account balances, which were easy to verify. If they had made many entries they would now go to the Startup Reports Menu and print a Trial Balance so that they could verify their entries. If any errors were found they would return to the G/L Maintenance Menu and select the Enter Account Balances option to make the corrections.

CONFIGURATION—MULTIPLE CASH ACCOUNTS.

The Scotts now go on to do a little "fine tuning" of the system. Returning to the Configuration Menu, they examine the options presented. They have already entered their company name and set up the system to handle their printer (items 1 and 2). They will not be using departments because they only have a small shop in one location (item 3). However, they will be using a separate checking account for their payroll and would like to be able to specify this account as the cash account during Cash Disbursements. They select option 4, Multiple Cash Accounts.

The program displays a message cautioning them that once they

have specified this account as a Cash account they won't be able to delete it. Also shown is their existing Cash account, 1000 (Cash in Bank) and space for two more accounts.

They enter "1020" on the second line and the system displays "Cash—Payroll Account" in the Name column. Next they enter "END" in the account number column to tell the program they are through. The program records the information to their data disk, and they return to the Configuration Menu.

CLASSIFY INCOME STATEMENT. From the Configuration Menu they select option 5, Classify Income Statement. The want a subtotal for their sales (as opposed to other revenue such as interest) to appear on their Income Statement. From the Classify Income Statement Menu, they select option 1, Revenue Range.

The account range for which they want a subtotal begins at 4000 and ends at 4199. Under "END" they enter the high end of the range, 4199, and type "Sales Revenue" for the title of this subtotal. The other Revenue accounts start at 4200, which the system has already displayed for them (it adds one to the previous high end account number). Under the "END" column for this range they enter "4490" (just under the highest number left in the Revenue range, 4499) and type "Miscellaneous Revenue" under Title. The program records this information to the data disk and they return to the Configuration Menu.

CLASSIFY BALANCE SHEET. From the Configuration Menu, Jim and Vera select option 6, Classify Balance Sheet, to classify account ranges for assets, liabilities and equity.

They select option 1, Asset Range, and see that account number 1000 is always the starting number of the first classification. They type "1999" as the number to end the first classification and "Current Assets" under Title.

They continue in the same manner on options 2 and 3 to set up their Liabilities Range and Equity Range. When finished, they press ESCAPE to return to the Configuration Menu.

ADVANCED OPERATING MODE. They select option 8, Advanced Operating Mode, but decide not to use the advanced mode option because they are still learning the system and need all the on-screen help they can get. After the Startup Procedures, they can elect to use the Advanced Operating Mode from the Payables Menu. They answers "N" to the "Use Advanced Mode" prompt and returns to the Configuration Menu.

POSTING CONFIGURATION. Selections from Posting Configuration tell the program which reports are to be prepared during the posting process. Unless told differently, the program assumes that all of the month-end reports are to be prepared. Since at this point the Scotts are not sure which reports they will need to keep for audit purposes, they decide to let the program print all of the reports for the first few postings. They will decide later which reports, if any, they do not need.

COMPLETE STARTUP PROCEDURES. The Scotts return

to the Startup Menu. They note that they have entered all of the information necessary to begin normal processing and select item 4, Complete Startup Procedures. The program displays the caution that once they have completed this step they will not be allowed to change account balances by just choosing General Ledger Maintenance and altering an amount. From here on, they will have to enter transactions to change account balances. They know this and are sure that they have made all of their entries, so they continue.

The program now checks their account balances to be sure that the debits equal the credits. If they did not, the program would display a message telling them this and would not let them continue. After this check has been made, the program displays a suggestion that they should make a backup copy of their data disk before they begin entering regular transactions. Then the program displays the Ledger Menu and they are ready to begin daily processing.

Daily Processing

This section will look at the features of the Back to Basics General Ledger in day-to-day use. In this section you will learn how to use the journals in the system and how to print the reports you need.

To illustrate these steps, we will follow Jim and Vera Scott as they use the system in their business. Each session will demonstrate another aspect of the system, and as you follow along, making the entries, you will learn how to use the Back to Basics General Ledger in your business.

THE GENERAL JOURNAL. The General Journal is used to

make entries to the General Ledger that do not fall into another category such as Cash Receipts or Cash Sales. In this sense, it can be considered a "catch-all" journal. Each transaction consists of at least one debit item and one credit item, and the sum of the debits must equal the sum of the credits. Also entered as part of the transaction are a date, a system-generated sequence number and a description of the transaction. Each transaction can have as many as 21 items.

In this session you will learn how to get to the General Journal entry screen, how to make entries to the General Journal and how to print the General Journal report.

By the end of the first day of business at Scott's TV & Stereo, a number of items have accumulated that should be recorded on the books. Among these are a loan from the bank for $15,000, a last-minute license fee of $150, an insurance premium of $1,200 and a legal fee from their lawyer for $550. We will follow the Scotts as they use the General Journal to record these entries. Note that some of the transactions more properly should be recorded in the Cash Disbursements Journal, but to demonstrate the flexibility of the General Journal we will enter them here.

The Scotts load the system using their program disk and the data disk created during startup. The program reads the latest date recorded on the disk and displays it. The date, 11/01/84, is the date they wish to use to record these transactions, so they press RETURN. Had the bulk of the transactions been for another date (in the same month), they would have entered that date. This is the date that the system will use for transaction and report dates unless they enter another date, either while entering transactions or printing reports.

The program displays the Ledger Menu, and they select General Journal Entries, option 2.

The program displays a screen on which they can enter the information for the first transaction. A journal entry number (JE#1) has already been generated by the program, and the cursor is waiting at the date for them to enter a day other than the first of the month (if they want to override the date they entered when first loading the system).

The date of 11/01/84 is the date they want, so Jim presses RETURN, and the program moves to the transaction description area (DESC) for them to enter a brief description of the transaction. Jim enters "Bank Loan" and presses RETURN.

The program then moves to the first line under the account number area (ACCT #). Jim enters 1000, and the program displays the account name "Cash in Bank" and moves to the debit or credit area. The entry to Cash in Bank should increase the Asset (cash), so Jim enters a "D" for debit and "15000" as the amount. The program displays at the bottom of the screen the net of the debits and credits, and now displays "Entry out of balance: $15000.00."

Then Jim enters 2100 as the account number on the second line, and the program displays the account name "Notes Payable." This part of the transaction is a credit, so Jim enters a "C." The program assumes that the amount of the credit that Jim will enter will be the debit total, or $15,000.00, and shows that amount in the amount column. If this had been a wrong assumption, Jim would just type the amount he wanted to enter right over it. As it is, the program is right, so all Jim has to do is press RETURN.

Since the total of the debits ($15,000) equals the total of the credits ($15,000), the program displays the word "END" in the account number column. If Jim is finished with entries for this transaction, he will press RETURN to end the entries. If there are more entries to be made, he would just enter the next account number and go on. In this case, he presses RETURN to end the transaction.

Now the program asks Jim if he wants to record the transaction to the data disk. If at this point Jim noticed that he entered a wrong amount or account, or if he wanted to change the date or description, he would reply "N" and use the ESCAPE key to go back to the part he wants to change. To go forward without making changes, he presses RETURN until the program again asks if he wants to record the information.

The remaining transactions that Jim enters are similar to the above and are listed below.

Legal Fees

5520 Legal & Accounting Exp.	Dr.	550.00
1000 Cash in Bank	Cr.	550.00

Business License

5550 Licenses Expense	Dr.	150.00
1000 Cash in Bank	Cr.	150.00

Insurance

1300 Prepaid Insurance	Dr.	1200.00
1000 Cash in Bank	Cr.	1200.00

After Jim has entered all of the transactions and recorded JE#1, JE#2 is automatically displayed. He presses ESCAPE to return to the Main Menu.

In this session, you have seen how to make menu selections from the Ledger Menu to record information needed in your Ledger system. You have also seen how entries can be made in the General Journal and how to correct mistakes.

PRINTING REPORTS. In this session, Jim and Vera will take the steps to print a report. The reports they will print are the General Journal and the Account Activity reports, but the process is the same for any of the reports printed from the Journals and Reports Menu. All of the reports can be printed from the current data disk or a previous month's "archive" disk. All of the reports can be printed at any time and reflect the entries made to the General Ledger as of that time.

Jim would like to double-check the entries made during the previous session. He decides to print two reports: the General Journal and the Account Activity Report.

The Scotts select option 8, Journals and Reports, from the Ledger Menu. The program displays the Journals and Reports Menu, which lists the reports that can be printed. The first report they want to see is the General Journal, which, if everything has been done right, should show all of the entries they have made in the General Journal so far. They select option 4, General Journal.

The program displays a message saying that if the report they want to print is from an archive data disk they should insert that

disk now. They would use this to reprint reports from prior months that may have been lost or if they want an extra copy for their accountant. They leave the current data disk in the drive and press RETURN. Another screen displays the date they entered when they loaded the system and gives them the option to change it if they want. They leave the date alone and press RETURN. (Some computers may display additional messages at this point. Refer to your Hardware Booklet if you need help.)

Now the program reminds them to get their printer ready and to be sure there is paper properly aligned in the printer. If the printer is not ready, if there is no paper or, on some printers, if there is no ribbon, the program will seem to "hang" and do nothing. If this happens, get the printer ready to print and the program will begin printing the report.

After the Scotts have looked over the General Journal report, they are satisfied that all of their entries so far have been properly entered. Next they request the Account Activity Report from the Journals and Reports menu.

The Account Activity Report will list all of the entries that have been made to a particular account. In the Scotts' case, they want to see what entries have been made to the Cash In Bank account and what effect they have had. The program asks them which account they want to list, and they enter "1000." After reviewing this report, they return to the Ledger Menu.

We have seen how to print any or all of the reports in the system. These reports can be printed at any time from either the current data disk or a prior month's archive disk. During month-end or year-end posting, the reports set up in the Posting Configuration section will be printed automatically without having to request them.

THE CASH DISBURSEMENTS JOURNAL. The Cash Disbursements Journal records information about checks written during the month. You may enter in the Cash Disbursements Journal checks that have been written for any of the accounts specified as Cash accounts. The journal will let you enter manually written checks (those you have written yourself) or, if you want, it will print checks on your check forms.

In this session we will show how transactions are entered into the Cash Disbursements Journal. We will also show how to use the ? key to get a display of the Chart of Accounts when entering transactions.

By Monday, November 5, the Scotts have written a few checks covering rent and utility deposits. They have paid $1,800.00 to the Tucker Realty Company for a $1,000.00 security deposit and $800.00 for the first month's rent. They have also had telephones installed and paid a deposit of $150.00 and a $75.00 installation charge to the telephone company. And they have paid the electric company $150.00 as a deposit on their electric bill.

The Scotts load the system and enter a date of 11/05/84. From the Ledger Menu they select option 3, Cash Disbursements. The program displays the Cash Disbursements entry screen and waits for them to enter a different date if they want. The date for the payment to Tucker Realty is 11/02/84, which they enter by typing "02" and pressing RETURN. The program then asks them if they want this check to be printed or if they have already written it. They reply "N" to the question "Computer Check (Y/N)?" Since they have already written three checks from their checkbook (recorded in the General Journal), they enter "104" as the check number. The check amount is $1,800.00, which they enter as "1800." The payee is Tucker Realty.

The program displays their primary Cash account, 1000 (Cash in Bank), on the first line. Since they have told the program that they have two Cash accounts (entered in Multiple Cash Accounts as 1020, Cash—Payroll Account), the program waits for them at the account number 1000 on the first line. If they were entering checks written from the other Cash account, they could enter that number now. This check is for the Cash account shown, so they press RETURN. The program skips past the "D/C" and amount columns because they have already told it that this is a check that has been written to take money out of the Cash account (by choosing the Cash Disbursements option) and the amount ($1,800 entered for check amount).

This particular check will record two things: $1,000 has been paid as a deposit, meaning the money is technically still theirs but is being held by Tucker Realty as security; and that they have paid the first month's rent of $800.00. The first part transfers $1,000 from their Cash Asset account to another Asset account, Deposits, and the second part records the $800.00 rent expense.

The Scotts enter account number 1820 on the second line, and the program displays "Deposits" as the account name. Had this been the wrong account, they could have pressed the ESCAPE key to back up and re-enter the correct account number. In the D/C column they enter a "D" for debit, and 1000 in the amount column.

On the third line they enter "5670" for their Rent Expense account, and "D" for debit. The program assumes the amount will be 800.00 (the amount remaining) and displays 800.00 in the amount column. They accept this by pressing RETURN. They could have rejected this amount by keying in the correct amount.

Since the total of the debits equals the total of the credits, the program displays "END" in the account number column, indicating that they can press the RETURN key and have the program record the transaction. If for some reason more entries needed to be made, they could enter the next account number and go on. They press the RETURN key, since they have entered all of the entries. The program records the information and displays a new screen for the next check. After they have entered the last check they will press ESCAPE to leave the Cash Disbursements Journal.

For the next check they enter "05" or the date (the program was displaying 11/02/84). This is also a manual check ("N" for "Computer Check?"), and the check number is 105. The program has added one to the previous check number 104 and now displays 105. If this is not the correct check number, they could enter the new one; as it is the correct number, they just press RETURN. This check is for $225.00 to the telephone company.

They leave the account number as 1000 by pressing RETURN and go to the second line. At this point, they want to see how the ? key works. In the General Ledger module, the ? will display your Chart of Accounts to help you find the account you want if the ? is entered as the first character in any account number. The Scotts enter "?" in the account number and press RETURN. The program clears the screen and displays as many accounts as will fit on one screen. At the bottom is a message saying that to quit the list and return to the entry screen they should press the ESCAPE key. At the end of the Chart of Accounts it will say to press the RETURN key to return to the original screen and continue entering information. They press RETURN and return to the Cash Disbursements entry screen.

Still on the second line, they enter "1820" for their Deposits account, a "D" for debit and 150.00 for the amount. At the bottom of the screen the program displays that the entry is still out of balance by $-75.00. On the third line they enter "5790" for the Telephone Expense account, a "D," and the program displays the 75.00 that is still left. They accept this and press RETURN to record the check.

The last check was written 11/05/84—number 106 for $150 to the electric company for a deposit. After entering and recording this check (the credit is to account number 1820), they exit Cash Disbursements by pressing the ESCAPE key when the program displays the next entry screen.

At this point, had any of the checks entered been "computer checks," the program would ask the Scotts to set up their printer with the check forms for printing and would begin printing the checks entered as "computer checks," starting with the primary Cash account. Since the Scotts didn't enter any "computer checks," the program returns to the Ledger Menu.

In this session, we have seen how the Cash Disbursements Journal can simplify recording checking transactions. We have also seen how the ? key can be used to find accounts in the Chart of Accounts.

[redacted]

THE CASH RECEIPTS JOURNAL. In this session we will show how the Cash Receipts Journal can be used to record money received by the business. The Cash Receipts Journal works much the same as the Cash Disbursements Journal, covered in the previous session, except for the information regarding

printing of checks. We will show some more complicated types of transactions to illustrate how the journals can be used to record the sometimes confusing transactions that can occur.

During the second week of business, the Scotts sit down to record the events that have taken place during the day. The ones we will observe concern two sales of TVs; one for cash and one with a partial payment. Both of these sales will be "costed," that is, the value of the TVs sold will be removed from the TV inventory account and recorded in the Cost of Goods Sold account for TVs.

The Scotts load the system and enter 11/12/84 as the date. From the Ledger Menu, they select option 4, Cash Receipts.

The program displays the Cash Receipts entry screen, and they notice that it looks substantially like the Cash Disbursements entry screen. The differences are that in place of the check number there is an "Entry #" which the program has generated and displayed. Also the description of the transaction is called "Reference."

They leave the date as 11/12/84 and enter "A. Johnson—TV Zen100-2a" for the reference information. This sale was to A. Johnson and was a Zenith model 100-2a. The total amount of the cash received was $544.91. Note that this is not necessarily the amount of the sale.

Like the Cash Disbursements Journal, the program stops at the first line to let them specify another Cash account. Remember, this happens because they told the system during "Multiple Cash Accounts" that they had two Cash accounts. If they had not, the program would not have stopped on the first line and instead would have gone right to the second line.

The entries for lines 2, 3 and 4 are:

4000 Sales—TV & Stereo	Cr. 499.00
4020 Sales—Misc. Hardware	Cr. 24.95
2400 Sales Tax Payable	Cr. 20.96

At this point the program displays "END," signifying that the transaction is in balance and that they can press RETURN to record the transaction. The Scotts want to record their cost for the television set, but not the antenna that was sold with the TV. The cost of the antenna will be calculated and recorded at the end of the month. To do this they override the "END" in the account number field by entering the account number for "Inventory—TV and Stereo," 1200, in the account number column. The program displays the account name. The entry is a credit to inventory, and the set cost them $294.50. On the sixth line they enter "4500" (for Cost of Goods Sold—TV & Stereo) and enter a debit of $294.50. Since the debits and credits are in balance again, the program displays "END" in the account number column. They press RETURN and record the transaction.

The next screen appears with "Entry #: 2." The next transaction is essentially the same except that in this sale the full amount of the sale was not received in cash; only a $200.00 partial payment was received.

The sale occurred on the same day and was to R. Anderson for an RCA television, model 4AB11. The amount received and entered in the Amount field was $200.00. The amount outstanding is $143.19. The total sales amount was for $343.19, which includes sales tax of $13.24. The Scotts make these entries:

1000 Cash in Bank	Dr. 200.00
	(Cash received)

1100 Accounts Receivable Dr. 143.19
(amount owed by Anderson)
4000 Sales—TV & Stereo Cr. 329.95
(total sale amount)
2400 Sales Tax Payable Cr. 13.24

Again they override the "END" in the Account number column and make these entries to record the cost of the sale.

4500 COS—TV & Stereo
Dr. 197.50
1200 Inv—TV & Stereo
Cr. 197.50

The point to remember in recording partial payment sales in the Cash Receipts journal is that the amount entered for the "Amount" is the cash received, not the sale amount.

After recording these sales to the data disk, the Scotts exit the Cash Receipts Journal by pressing ESCAPE and return to the Ledger Menu.

In this session we have seen that the journals are very flexible and can record a variety of transactions. What we have covered here in the Cash Disbursements Journal applies to all of the journals, in that the appearance of the "END" does not mean you must end the transaction. The only limitations are that it must not use more than 21 lines and that the debits must equal the credits. The same principle shown during this session could be applied to the Cash Disbursements Journal.

THE CASH SALES JOURNAL. In this session we will watch the Scotts set up and enter a day's cash register sales through the Cash Sales Journal.

Most of the Scotts' business will be sales of televisions and stereo systems. Another part will consist of sales of small items for cash to walk-in customers. These sales are miscellaneous hardware, records, tapes and other such items. Additionally, all of their repair service is done on a cash basis. To make the recording and tracking of these sales through the cash register easier, the Scotts are going to install the Cash Sales Journal.

The Cash Sales Journal is designed to be used with a cash register to easily track and record the flow of money in and out of the register. It has two main sections: one for the money coming in and where it came from, called Cash In, and one for the money going out and where it goes, called Cash Out. The Cash In section starts with the money already in the register at the beginning of the day, called Cash on Hand. Sales made during the day are added to this amount and are usually segregated by the type of sale, which in the Scotts' business could be TVs and stereos, miscellaneous hardware, records and tapes, service and a catch-all type they are going to call "Other."

The Cash Out section tracks and records what happens to money going out of the register, such as cash refunds and the deposit made to the checking account at the end of the day. The amount left in the register after cash refunds have been made and the amount taken out and deposited in the bank is the amount available to begin the next day's activities.

In theory, the beginning amount plus the amount recorded as sales, less any cash refunds made and less the amount deposited

should equal the amount left in the register at the end of the day. However, if a mistake has been made in making change for a customer, a discrepancy will exist. This amount is treated as an expense or revenue item, depending on its balance, and is recorded to an account known as Cash Over/Short.

INSTALLING THE CASH SALES JOURNAL. To begin the process, the Scotts withdraw $100.00 from the bank to place in the register. They record this withdrawal through the General Journal as a debit to Cash on Hand (1070) and a credit to Cash in Bank (1000).

Next they select the Cash Sales option (number 5) from the Ledger Menu. Since this is the first time they have selected Cash Sales, the program will take them through the setup process.

The first question asked is the account number representing the money in the cash register. Jim and Vera enter "1070" for their account Cash on Hand. The program displays the account name to verify that this is the correct account number.

The next question asks them to enter the account number for the Expense account representing over and short amounts in the cash register. They enter "5190" for their account Cash Over/Short. The program displays this account name for verification also.

Next they are asked how much money is in the cash register drawer. They enter "00," representing the $100.00 withdrawn earlier and transferred to Cash on Hand.

After a message reminding them that more needs to be done to set up the Cash Sales Journal, the program displays the Cash Sales Menu. From this menu they select the option Cash Sales Maintenance. The program displays the two parts of the Cash Sales Journal: Cash In and Cash Out. In each section they can record eight types of sales or withdrawals.

Starting with the Cash In section, Jim and Vera select option 1 from the small menu at the bottom of their screen to add entry lines; the line they are going to enter is line 2. The account for this type of sale will be "Sales—TV & Stereo" and the account number will be 4000. As a description of this type of sale they enter "TVs and Stereos" and enter "4000" in the account number column. After they have entered this line, the program displays "Record this information (Y/N)?" and they reply "Y." Continuing like this, they enter on line 3 "Records & Tapes," account number 4010; on line 4 they enter "Misc. Hardware," account number 4020; on line 5 they enter "Service & Repairs," account number 4030; and on line 6 they enter "Miscellaneous Revenue," account number 4490. The last entry for Cash In is on line 7, for "Sales Tax." The account is the Liability account Sales Tax Payable, number 2400.

In the Cash Out section, they add two lines. The first is on line 11 for "Cash Refunds"; the account is Sales Returns/Allowances, number 4110. The second is on line 12 and is for the amount taken out and deposited. This entry is "Deposits" and is to Cash in Bank, account number 1000.

After entering the last line, they return to the Cash Sales Menu and select option 3 to print some reconciliation forms. The program asks them how many copies they want and they enter "3." When the program has finished printing the reconciliation forms, it returns to the Cash Sales Menu.

Here the Scotts break to review the reconciliation form and to try it out with their sales for today. They make these entries on the form:

Date 11/15/84	
Cash on Hand (Open)	$ 100.00
Sales—TV & Stereo	$ 725.45
Records & Tapes	$ 317.15
Misc. Hardware	$ 97.45
Service & Repairs	$ 72.50
Miscellaneous Revenue	$ 0.00
Sales Tax Payable	$ 47.24
Total Cash In	$1359.79
Cash on Hand (Close)	$ 100.00
Sales Returns/Allowances	$ 12.50
Cash in Bank	$1247.19
Total Cash Out	$1359.69
Cash Over/Short	$ .10

They took the numbers from their cash register tape and recorded them on the reconciliation form, discovering the 10-cent error. They return to the Cash Sales Menu and select option 2, Enter Cash Sales.

The program displays the entry number 1 (much like the General Journal assigned a JE# and the Cash Receipts Journal assigned an Entry #) and gives them the opportunity to change the day from 11/12/84. They change it to the 15th and press RETURN. The program displays the Cash Sales entry screen.

This screen shows the sales and withdrawal lines that they entered when setting up the Cash Sales Journal. One by one they enter the figures that they have recorded onto the reconciliation

form. At the end, the program confirms that they are indeed "short" by ten cents and asks them if it is correct. They reply "Y" and the program saves the information to the data disk. When the program finishes and displays the date for the next entry, they press ESCAPE and return to the Ledger Menu.

We have seen how the Cash Sales Journal and the reconciliation form can be used to record sales made through the cash register. Also we have seen how the sales and withdrawal categories can be set up. These categories can be changed at any time by re-entering the Cash Sales Maintenance screen and making the desired changes. The account numbers for Cash on Hand and Cash Over/Short, however, cannot be changed once entered.

AUTOMATIC JOURNAL ENTRIES. In this session we will see how the Automatic Journal Entries feature is set up and used.

Most business accounting has some entries that are made every month. They rarely change except for the date. This type of entry can be made automatic by using the Automatic Journal Entries option. To use this option, the same accounts and amounts must be used every month. Also, only one debit and one credit for each transaction can be entered. Once they are set up in the table of Automatic Journal Entries, they can be entered onto the books by selecting the "Process Automatic Journal" option from the Automatic Journal Entries Menu. The table of entries can be changed at any time, and it is recommended that they be reviewed before posting each month to make sure the entries are correct. Common entries of this type are depreciation expense (straight line only), and expensing of a prepaid item that has been previously recorded as an asset.

Toward the end of the month the Scotts get ready to "close the books." Before they do, they decide to make a few adjustments to the system.

The first of these is setting up the Automatic Journal Entries. At present they have only one entry to make, but they anticipate that as time goes on they will have several more, and they want to gain experience with the feature first.

From the Ledger Menu, they select option 6, Automatic Journal Entries. The program displays the Automatic Journal Entries Menu, and they select option 1, Add an Entry.

The program displays a "reference number" with the generated number 1. This reference number is similar to the JE# for the General Journal. The program asks which account they want to debit for this entry. They enter "5430" (Insurance Expense). The program displays the name of the account and asks them for the account they want to credit; they enter "1300" (Prepaid Insurance). They enter "100" for the amount of the transaction and "Insurance" for the description. They record the transaction and return to the Automatic Journal Entries Menu.

From this menu they select option 4 to print a Reference List of the transactions they have in the Automatic Journal Entries table. After being satisfied that they have entered the transaction correctly, they select option 5 to Process the Automatic Journal. The program asks them for a date to use for the entries in the table, and they enter 11/30/84. The program then adds the table entries to the transactions to be posted when month-end posting is selected.

When "Process Automatic Journal" is selected, it will reduce

the Asset account Prepaid Insurance by $100.00 and increase the Expense account Insurance Expense by $100.00. This reflects that they have "used up" one month of insurance coverage. Unless they change the Automatic Journal Entries table, this transaction will occur every month, so they must be careful that when the prepaid asset (Prepaid Insurance) has been reduced to zero they remove the entry from the table. To check this, they should get a reference listing of these entries every month before processing the Automatic Journal Entries.

VOID TRANSACTIONS. This session will introduce the Void Transactions feature of the system. Sometimes transactions are made in error and not caught until after they have been recorded to the data disk. To nullify those entries, you can void them by using the Void Transactions option. This will generate reversing entries to the original entries and restore the account balances to their original state.

While they are "cleaning up" the books before closing them, the Scotts also decide to void the General Journal entries made at the beginning of the month that should have been made in the Cash Disbursements Journal. They will re-enter them in the Cash Disbursements Journal. They select option 7, Void Transactions, from the Ledger Menu.

The program displays the Void Transactions Menu, which includes all journals. The Scotts enter "3" for General Journal.

Now the program asks which entry (JE#) in the General Journal they wish to void. Referring to a printout of the General Journal, they enter "2." The program displays the transaction date,

11/01/84, and the description "Legal Fees" and asks them if this is the correct entry. They reply "Y." The other entries they want to void are:

JE# 3 11/01/84 Business License
JE# 4 11/01/84 Insurance

To see what the program has done with their "voided" transactions, they return to the Ledger Menu and select option 8, Journals and Reports, to see a listing of the General Journal.

The listing shows the original entries, numbers 2, 3 and 4, and under each of them they see the same entry but with opposite debit and credit amounts and the description "VOID ENTRY #." They also notice their Automatic Journal Entry for expensing the Prepaid Insurance they entered earlier.

Satisfied, they now go to the Cash Disbursements Journal to re-enter the checks they have voided.

We have seen how the Void Transactions option works; it generates reversing entries for the original entries. Void Transactions can be used for any of the journal types, but it should be used with care in voiding Cash Sales entries. Refer to the General Ledger Reference Section for more information regarding Void Transactions.

Copy Disks

One of the things you should do any time you have entered a lot of information is to create a backup copy of your data disk. There are numerous ways in which a data disk can be damaged, so a backup copy is cheap insurance for your data.

Before the Scotts "close the books," they decide to make a backup

copy of their data disk. From the Ledger Menu they select option 11, Copy Disks. The program displays on the screen very detailed instructions for copying the disks. Your version of the program will display instructions for your computer type. After following the instructions and making the backup disk, they go on to post General Ledger for the month.

Post General Ledger

This session will discuss what happens when you select the Post General Ledger procedure.

Rather than actually performing the month-end posting for November, Jim and Vera will review the various steps that would be encountered in the posting process. Since they are going to integrate Accounts Receivable and Accounts Payable with General Ledger, they will have entries to make for their November books. Therefore, they do not want to close out their books at this time.

At this point the Scotts will go through the "Sample Company: Accounts Receivable" and "Sample Company: Accounts Payable" sections and return to this section of the "Sample Company: General Ledger" afterwards to perform the integrated month-end posting.

Note: If you are not integrating your Back to Basics modules, you may proceed with month-end posting of General Ledger.

The most tedious and error-prone process in a manual system is the totaling and posting of the journals to the General Ledger. The Back to Basics Accounting System does all of this for you when you select Post General Ledger.

The first thing the Scotts see when they select this option is a message cautioning them that they should make a backup copy of their current data disk. They have already done this, so they proceed.

The program then asks them if this is a month-end close or a year-end close. Both selections will post the journals and close the books, but the year-end close will also do the posting of the Income Statement accounts to the Retained Earning or Equity account in the Balance Sheet. In the process it will clear all of the Income Statement accounts. For this reason, it is important to make the proper reply (and to have made your backup copy of the data disk!).

The Scotts enter "1" for Month End. Two messages appear in sequence, cautioning them about selecting the proper type of closing.

The first step in closing the books is saving a "picture" of what the books looked like for the month. This is done by creating an "archive" data disk. If any reports are needed later in the year (tax time, perhaps), they can be reprinted from this disk.

After the program has finished creating the archive disk, it begins producing the reports selected during Posting Configuration.

After the last of the reports is finished, the program clears the journals and posts the amounts to the General Ledger accounts. The current data disk is now ready to be used for the next month's transactions.

Conclusion

Congratulations! You, along with Jim and Vera Scott, have completed one month of business. For additional practice or experimentation with the program, you should some sample data for December also. Follow the same procedures used in November's daily processing.

The main exception is at the end of the fiscal year. If December were the last month of the Scott's TV & Stereo fiscal year, which is not necessarily the same as the calendar year, Vera and Jim would select the Year End Posting option from the Post General Ledger Menu. Year-end posting should be done in December only if December is the end of your fiscal year.

Prior to closing out December, a backup copy of the December data disk should be made.

You should continue making sample entries until you feel comfortable running General Ledger and are ready to install it for your company.

This Reference Guide to the Back to Basics General Ledger is divided into four sections: "Startup Planning," "Recommended Startup Sequence," "Startup Procedures" and "Maintenance Procedures."

"Startup Planning" covers things you should think about and decisions you will have to make about how you want General Ledger to handle certain procedures.

"Recommended Startup Sequence" gives you a quick guide to the whole "Startup Procedures" process.

"Startup Procedures" covers things you must do to set up General Ledger for operation. These include establishing a Chart of Accounts and specifying account numbers, for example.

"Maintenance Procedures" covers in detail all the menu items you will use on a daily or weekly basis to operate General Ledger. This section will explain the use of each menu item and its use.

Startup Planning

During the "Startup" process you will answer questions to define your specific business and your beginning point for General Ledger. Think about your situation so you can tailor the system to best serve you.

STARTUP DATE. This is the date assigned as the starting point for entering transactions. Thereafter, each month will be changed automatically when you "close" your books at the end of each month, and the year will change when you close December's books.

If you are just beginning to maintain accounting records, use the month and year that you intend to begin entering transactions for your startup date. If you are starting from an existing set of account books, get a Trial Balance for the last month using the old system and use the next month as the startup date for your Back to Basics General Ledger.

COMPANY ID. General Ledger uses a six-character code to identify data disks for different companies. Assign a unique company ID for each company whose books you intend to maintain. If you are going to use the Back to Basics Accounts Payable or Accounts Receivable modules with General Ledger, each company's code must be the same in all three systems.

PASSWORD. General Ledger will allow you to assign a password to protect access to your financial information. To do this, enter a six-character code. Once entered, the password cannot be changed or deleted. You must remember this code, because you will be asked to identify yourself each time you attempt to begin processing. You may choose not to use a password by leaving this field blank and pressing the RETURN key.

USE COST OF SALES RANGE (Y/N)? You can tell General Ledger to print a "Gross Profit" subtotal on your Income Statement by replying "yes" to this question. The figure printed for this will be the difference between the Revenue accounts balance (4000 through 4499) and the balances for the Cost of Sales accounts balance (4500 through 4999). Once this is set up, it

cannot be changed. If you have no Cost of Sales account category, skip this subtotal by replying "no" to the question.

USE THE STANDARD CHART OF ACCOUNTS (Y/N)? General Ledger comes with a "standard" Chart of Accounts that you may use rather than entering your own accounts and descriptions. Look at this Chart of Accounts in the Appendix to decide if you want to use it as is, make changes to it or manually enter your own Chart of Accounts.

If you use the "standard" Chart of Accounts, one of your Cash accounts will be 1000 and your Retained Earnings account will be 3990.

If you enter your own Chart of Accounts, be sure to consider the following:

1. ACCOUNT RANGES. Certain categories of accounts must fall within certain number ranges. These are:

Assets	1000-1999
Liabilities	2000-2999
Equity	3000-3999
Revenue & Cost of Sales	4000-4999
Expenses	5000-9999

2. REQUIRED ACCOUNTS.

GENERAL LEDGER: You must include in your Chart of Accounts a Cash account to be used with the Cash Receipts and Cash Disbursements Journals; an account for Retained Earnings

or Equity to which General Ledger can post the period Profit and Loss amount; and, if you intend to use the Cash Sales Journal, an Expense account for over/short amounts.

If you are using the "standard" Chart of Accounts, these three accounts are: 1000 for Cash; 3990 for Retained Earnings or Equity; and 5190 for Cash Over/Short. If you use your own Chart of Accounts, General Ledger will ask you the numbers for these accounts.

ACCOUNTS RECEIVABLE: If you are integrating the Back to Basics Accounts Receivable with General Ledger, you must have these six accounts in your General Ledger Chart of Accounts: Accounts Receivable; Cash; Finance Charge Revenues; Sales Discounts; Sales Returns and Allowances; and Miscellaneous Revenue. Accounts Receivable will use these accounts to automatically post entries to General Ledger.

ACCOUNTS PAYABLE: If you are integrating the Back to Basics Accounts Payable with General Ledger, you must have these three accounts in your General Ledger Chart of Accounts: Accounts Payable; Cash; and Purchase Discounts. Accounts Payable will use these accounts to post entries to General Ledger.

3. GROUPING OF ACCOUNTS BY TYPE. To make use of the "classification" feature in General Ledger, you should group similar accounts together--that is, within the same sub—range of account numbers. This will allow you to obtain subtotals of similar or related accounts.

4. USING DEPARTMENTS. General Ledger can provide up to 11 different Income Statements, one for each department or division and a consolidated one. To do this, in your Chart

of Accounts you must set up an account for each department with the department or division number as the last digit of the account number.When the Departmental Income Statement is printed for a division, all accounts in the Income Statement ending with that division's number will be printed in a separate report.

5. SPACING FOR NEW ACCOUNTS. You should allow room between your account numbers for adding new accounts if you need to.

6. MAXIMUM NUMBER OF ACCOUNTS. General Ledger will accommodate a maximum of 254 accounts. If you are using the Departments feature, plan your Chart of Accounts carefully to make sure you don't exceed this limit.

Recommended Startup Sequence

1. Proceed through the "Startup Procedures" section in your *Hardware Booklet* until you come to the Startup Menu.

2. Select the System Configuration option.

3. From the System Configuration Menu, select the Company Name option and enter your company name.

4. Select the Hardware Information option and refer to your *Hardware Booklet* for further information.

5. Exit the System Configuration Menu and return to the Startup Menu.

6. From the Startup Menu, select the General Ledger Maintenance option.

7. If you have elected to use the "standard" Chart of Accounts,

make any changes necessary by selecting the Add, Modify or Delete option from this menu. If you are entering your own Chart of Accounts, use the Add Accounts option. In either case, do not enter the balances at this time.

8. After you have finished entering your Chart of Accounts, get a printout of it by returning to the Startup Menu and selecting the Startup Reports option. Use this report to verify that you have entered the accounts correctly. If you need to make changes, return to the General Ledger Maintenance Menu to make them.

9. After you are satisfied with the Chart of Accounts, enter your account balances by going to the General Ledger Maintenance Menu and selecting the Enter Account Balances option. To get a printout of the account balances, go to the Startup Reports Menu and select the Trial Balance option.

10. Then go to the System Configuration Menu and "customize" your Chart of Accounts, if needed, by selecting the appropriate options. This is an "advanced" feature, and it is not necessary to do this.

11. When your accounts and their balances are entered and any customizing is done, select the Complete Startup Procedures option from the Startup Menu to tell General Ledger you are finished. Thereafter, when you begin a session, you will go right to the Ledger Menu.

Startup Procedures

During the Startup Procedures you will tell General Ledger about your company and your specific computer equipment in answer to questions on the computer screen.

Because the specific procedures to follow depend on the type of machine you are using, proceed to the section "Startup Procedures" in the *Hardware Booklet.* There you will find answers to your questions about your specific computer and directions for continuing the "Startup Procedures."

STARTUP DATE: Enter the month and year you intend to begin entering transactions.

COMPANY ID: Enter a six-character ID for your company.

PASSWORD: Enter a six-letter password if you intend to use the password feature. Do not enter anything if you don't want a password.

USE COST OF SALES RANGE (Y/N)?: Reply "Y" if you want to use the Cost of Sales subtotal on your Income Statement.

USE THE STANDARD CHART OF ACCOUNTS (Y/N)?: Reply "Y" to accept the supplied Chart of Accounts.

If you elect not to use the "standard" Chart of Accounts, you will be asked for the following account numbers.

Cash Account: Enter the account number for your primary checking account. The default number shown is 1000.

Retained Earnings Account: Enter the account number for your Equity or Retained Earnings account. The default number shown is 3990.

Note: After the system accepts your answers to the above prompts, you will not be able to change them without creating a new data disk.

S

STARTUP MENU

1. General Ledger Maintenance. Page 110.
2. System Configuration. Page 113.
3. Startup Reports Page 118.
4. Complete Startup Procedures. Page 119.
5. Copy Disks. Page 119.
6. Quit Ledger. Page 120.

S-1

1. G/L MAINTENANCE MENU

1. Add Accounts. Page 110.
2. Modify an Account Name. Page 111.
3. Delete an Account. Page 111.
4. Enter Account Balances. Page 112.
5. Return to Startup Menu.

This section allows you to enter the names and numbers of the accounts you want to appear in your Chart of Accounts.

S-1-1 **1. ADD ACCOUNTS.**

USE: To enter new accounts to the Chart of Accounts.

PROCEDURE: Enter the four-digit account number and the account title as you want them to appear in your reports. You may enter up to 10 accounts before General Ledger will pause to write the information to your data disk.
To return to the General Ledger Maintenance menu, press the ESCAPE key until the cursor is at the first entry, then press it again.

NOTES: To see the existing Chart of Accounts before entering a new account, press the ? key while the cursor is at the first position of the account number. General Ledger will display those accounts that have already been entered. When you are finished, you will return to this field.

ERRORS: You cannot have more than 254 accounts in your Chart of Accounts, and no account number may be entered twice.

S-1-2 **2. MODIFY AN ACCOUNT NAME.**

USE: To change the title of an existing account in the Chart of Accounts.

PROCEDURE: Enter the account number for the account name you want to change. General Ledger will show you the current title and let you enter a new title.

To return to the General Ledger Maintenance menu, press the ESCAPE key while the cursor is at the first field.

NOTES: To review the existing Chart of Accounts, press the ? key while the cursor is at the first position of the account number. General Ledger will display the Chart of Accounts and, when you are finished, will return to this section.

S-1-3 **3. DELETE AN ACCOUNT.**

USE: To delete an account from the Chart of Accounts.

PROCEDURE: Enter the account number for the account you want to delete. General Ledger will show you the account title and ask you to verify that this is the account you want to delete. To return to the General Ledger Maintenance menu, press the

ESCAPE key while the cursor is at the first entry.

NOTES: To review the Chart of Accounts, press the ? key while the cursor is at first position of the account number. General Ledger will show you the existing Chart of Accounts. When you are finished, you will return to this field.

ERRORS: The account must already exist in the Chart of Accounts.

S-1-4 **4. ENTER ACCOUNT BALANCES.**

USE: To enter and adjust the account balances during startup.

PROCEDURE: The system will display your Chart of Accounts and their balances, if any. To enter or change an account balance, move to the account you want to change by repeatedly pressing the RETURN key and enter "D" for a debit balance or "C" for a credit balance and then enter the amount. As you progress through the Chart of Accounts, the system will display a running total of the balances. The accounts "balance" when this total is zero.

To return to the General Ledger Maintenance Menu, press the RETURN key until all the existing account numbers have appeared and been changed or accepted as they appear. Pressing the ESCAPE key on subsequent entries backs up to the previous entry so you can edit previously entered information.

When you are finished, the prompt "Record this information (Y/N)?" appears. Enter "Y" to record the information and return to the General Ledger Maintenance Menu.

NOTES: General Ledger will not allow you to complete the Startup Procedures until the account totals balance at zero. You

may print a Trial Balance to help you correct out-of-balance conditions.

S-2

2. CONFIGURATION MENU

1. Company Name. Page 113.
2. Hardware Information. Page 113.
3. Departmentalize Income. Page 113.
4. Multiple Cash Accounts. Page 114.
5. Classify Income Statement. Page 114.
6. Classify Balance Sheet. Page 116.
7. Posting Configuration. Page 117.
8. Advanced Operating Mode. Page 118.
9. Return to Startup Menu.

S-2-1

1. COMPANY NAME.

USE: The company name entered here will be printed on all reports.

PROCEDURE: Enter the company name you want to appear at the top of your reports. You can enter up to 30 characters, including numbers and upper- or lower-case letters.

S-2-2

2. HARDWARE INFORMATION.

Refer to the section in your *Hardware Booklet* called "Hardware Configuration: Printers."

S-2-3

3. DEPARTMENTALIZE INCOME.

USE: To tell General Ledger that you want to produce separate

Income Statements for each department or division in your company.

PROCEDUE: Reply "Y" if you want separate Income Statements for each department.

S-2-4 **4. MULTIPLE CASH ACCOUNTS.**

USE: To specify additional Cash accounts to be used for Cash Disbursements and Cash Receipts entries.

NOTE: Once you enter these accounts, you may not delete them from the Chart of Accounts. You may specify two accounts in addition to your primary Cash account, for a total of three.

ERRORS: The account entered must already exist in the Chart of Accounts.

S-2-5

5. CLASSIFY INCOME STATEMENT MENU

1. Revenue Range.	Page 114.
2. Cost of Sales Range.	Page 115.
3. Expense Range.	Page 115.
4. Return to Configuration Menu.	

S-2-5-1 **1. REVENUE RANGE.**

USE: To obtain subtotals of ranges of accounts on the Income Statement.

PROCEDURE: You may specify five subtotals for the Revenue section of the Income Statement. Enter the highest account number for each range and the description you want to appear on the report. General Ledger will automatically increase the

number you enter by one to provide the starting account number for the next range. Enter 4999 as the second number for your last range (4499 if you are using Cost of Sales) to indicate you have entered all the ranges you want.

ERRORS: The account ranges you choose must be within the limits specified at the bottom of the screen, and each range must be higher than the one before it.

S-2-5-2 **2. COST OF SALES RANGE.**

USE: Obtain subtotals of ranges of accounts on the Income Statement.

PROCEDURE: You may specify five subtotals for the Cost of Sales section of the Income Statement. Enter the highest account number for each range and the description you want to appear on the report. General Ledger will automatically increase the number you enter by one to provide the starting account number for the next range. Enter 4999 for your last range to indicate you have entered all the ranges you want.

NOTES: This option will be available only if you have elected to use the Cost of Sales feature during Startup.

ERRORS: The account ranges you enter must be within the limits specified at the bottom of the screen, and each range must be higher than the one before it.

S-2-5-3 **3. EXPENSE RANGE.**

USE: To obtain subtotals of ranges of accounts on the Income Statement.

PROCEDURE: You may specify five subtotals for the Expense section of the Income Statement. Enter the highest account number for each range and the description you want to appear

on the report. General Ledger will automatically increase the number you enter by one to provide the starting account number for the next range. Enter 9999 for your last range to indicate you have entered all the ranges you want.

ERRORS: The account ranges you put in must be within the limits specified at the bottom of the screen, and each range must be higher than the one before it.

S-2-6

6. CLASSIFY BALANCE SHEET MENU

1. Asset Range. Page 116.
2. Liabilities Range. Page 117.
3. Equity Range. Page 117.
4. Return to Startup Menu.

S-2-6-1

1. ASSET RANGE.

USE: To obtain subtotals of ranges of accounts on the Balance Sheet.

PROCEDURE: You may specify five subtotals for the Asset section of the Balance Sheet. Enter the highest account number for each range and the description you want to appear on the report. General Ledger will automatically increase the number you enter by one to provide the starting account number for the next range. Enter 1999 for your last range to indicate you have entered all the ranges you want.

ERRORS: The account ranges you put in must be within the limits specified at the bottom of the screen, and each range must be higher than the one before it.

S-2-6-2 **2. LIABILITIES RANGE.**

USE: To obtain subtotals of ranges of accounts on the Balance Sheet.

PROCEDURE: You may specify five subtotals for the Liabilities section of the Balance Sheet. Enter the highest account number for each range and the description you want to appear on the report. General Ledger will automatically increase the number you enter by one to provide the starting account number for the next range. Enter 2999 for your last range to indicate you have entered all the ranges you want.

ERRORS: The account ranges you put in must be within the limits specified at the bottom of the screen, and each range must be higher than the one before it.

S-2-6-3 **3. EQUITY RANGE**

USE: To obtain subtotals of ranges of accounts on the Balance Sheet.

PROCEDURE: You may specify five subtotals for the Equity section of the Balance Sheet. Enter the highest account number for each range and the description you want to appear on the report. General Ledger will automatically increase the number you enter by one to provide the starting account number for the next range. Enter 3999 for your last range to indicate you have entered all the ranges you want.

ERRORS: The account ranges you put in must be within the limits specified at the bottom of the screen, and each range must be higher than the one before it.

S-2-7 **7. POSTING CONFIGURATION.**

USE: To specify those reports you want to be printed automatically during period close posting.

PROCEDURE: Enter "Y" next to those reports you want to be prepared. Enter "N" next to those you do not want.

NOTE: You may change these after Startup as necessary, but it is recommended that you not do so until you have had some experience with the system.

Once you have made your selections, the prompt "Record this information (Y/N)?" will appear. If you enter "N" you will have to use the ESCAPE key to go back through all the fields to the first one and then press the ESCAPE key to return to the Configuration Menu. If you enter "Y" the information is recorded and you will return to the Configuration Menu.

S-2-8

8. ADVANCED OPERATING MODE.

USE: To speed transaction entry by providing you a "Y" default to screen queries. Otherwise you have to manually enter "Y" to screen prompts.

PROCEDURE: To use the Advanced Operating Mode, enter "Y," otherwise enter "N."

S-3

3. STARTUP REPORTS MENU
1. Chart of Accounts.
2. Trial Balance.
3. Return to Startup Menu.

Use this option to obtain listings of the Chart of Accounts and a Trial Balance for verifying information entered during Startup.

Select the Chart of Accounts option for a listing of the accounts and the account numbers that have been entered.

Select the Trial Balance option for a listing of all your accounts and the balances that have been entered.

On both options, the system will show the default report date as the first day of the current month, e.g., 06/01/84. You can change the day, but not the month or the year. Then, depending on your computer, you may be able to choose whether to send the report to the screen or the printer. The default setting is for the screen.

S-4 **4. COMPLETE STARTUP PROCEDURES.**

USE: To tell the system you have entered all necessary information and that you are ready to begin processing.

PROCEDURE: You will be shown a screen of information explaining that, once this information is accepted, you cannot change it without creating a new data disk. Enter "Y" if you have entered all necessary information. Otherwise enter "N."

S-5 **5. COPY DISKS.**

USE: To create a backup data disk to use if your first data disk is damaged.

PROCEDURE: With a blank disk at hand, follow the screen prompts that appear on your computer to make a backup diskette.

S-6

6. QUIT LEDGER.

USE: To exit the system.

NOTE: If you have made changes to the data disk, the system will ask you if you want to make a backup copy before exiting the program. If you have made changes and not used option 5 ("Copy Disks") to create a backup, this is a good time to make a backup.

Maintenance Procedures

This section covers the operations that you will perform on a daily or weekly basis to enter information into General Ledger. When you start up General Ledger with your program disk in your first disk drive and a ready-to-run data disk in your second drive, the data screen will appear, followed by the password screen, if you chose to use a password. Then the Ledger Menu will come up automatically.

L

LEDGER MENU

1. General Ledger Maintenance. Page 122.
2. General Journal Entries. Page 123.
3. Cash Disbursements. Page 124.
4. Cash Receipts. Page 126.
5. Cash Sales. Page 128.
6. Automatic Journal Entries. Page 131.
7. Void Transactions. Page 134.
8. Journals and Reports. Page 137.
9. Post General Ledger. Page 138.
10. System Configuration. Page 139.
11. Copy Disks. Page 144.
12. Quit Ledger.

L-1

1. G/L MAINTENANCE MENU

1. Add Accounts. Page 122.
2. Modify an Account Name. Page 122.
3. Delete an Account. Page 122.
4. Return to Startup Menu.

L-1-1

1. ADD ACCOUNTS.

USE: To add accounts to the General Ledger.

PROCEDURE: Enter the account number and the title, or name, for the account.

NOTE: You can see a display of the current Chart of Accounts by pressing the ? key.

ERROR: The account number must not already have been entered.

L-1-2

2. MODIFY AN ACCOUNT NAME.

USE: To change the name of an account.

PROCEDURE: Enter the account number. General Ledger will show you the old title and ask you to verify it. Then enter the new title.

NOTE: Press the ? key for a current list of accounts.

L-1-3

3. DELETE AN ACCOUNT.

USE: To delete an account from General Ledger.

PROCEDURE: Enter the account number of the account you want to delete. General Ledger will show you the account title

and ask you to verify that you want to delete it.

NOTE: Before an account can be deleted, the following conditions must be met:

—The account has a zero balance.

—No transactions have been made to it since the last year-end close.

—The account is not referenced in the Cash Sales Journal.

—The account is not referenced in the Automatic Journal Entries list.

—It is not a required system account (such as Cash or Retained Earnings).

—It is not referenced by the Back to Basics Accounts Receivable or Accounts Payable modules, if they are integrated with General Ledger.

If these conditions are met, the system will delete the account during the next period close.

L-2 **GENERAL JOURNAL ENTRIES**

USE: To make entries to the General Journal.

PROCEDURE: The following information will be displayed on the screen. The system supplies some of it; other parts you must provide.

—JOURNAL ENTRY NUMBER: Automatically assigned by the system.

DATE: The system supplies the date entered when you started

up the system. You can change the day but not the month.
—DESCRIPTION: Describe briefly the transaction you're recording.

—ACCOUNT NUMBER: Put in the number of an account to which you want this entry posted.

NAME: This is shown for you to verify that you entered the right account number. Press the ESCAPE key if you want to enter a different number.

—D(EBIT)/C(REDIT): Choose one to indicate whether the account should be debited or credited.

—AMOUNT: Enter it, leaving out commas, dollar signs and minus or plus signs. You must put in the decimal point for amounts that include pennies.

Repeat the steps above until all necessary entries have been made.

NOTES: You can put in a maximum of 21 entries per transaction. Debits must equal credits, or your entry won't be accepted by the system. You will be shown any out-of-balance condition on the screen.

To end your entries, type "END" in the account number field. General Ledger automatically does this after each entry when it is in balance, but you can override this to put in more entries. Press the ESCAPE key to back up and change entries. If you do this, press the RETURN key to go forward and accept all previous entries. Use the ? key when the cursor is in the account number field to get a list of accounts.

L-3 CASH DISBURSEMENTS

USE: To enter checks and cash disbursements and, optionally, to print checks for entries.

PROCEDURE: Follow the prompts at the bottom of the screen to enter or change information as needed.

—DATE: The one displayed is the one you put in when you signed on or the last one entered for a previous transaction in this session. You can change the day but not the month.

—COMPUTER CHECK (Y/N)?: Enter "Y" to print this check (at the end of entries). Enter "N" to record manually written checks. (If you enter "Y" make sure you have custom-printed checks that are specific for the Back to Basics General Ledger.)

—CHECK NUMBER: Enter the check number. General Ledger will automatically number subsequent checks in order. You can override this.

—CHECK AMOUNT: Enter it. If you enter "0" it will be recorded as "VOID." Use this feature to record voided checks for document control.

—PAY TO: Enter this information. If you entered "0" for the amount, "Pay to" becomes "Void through."

—ACCOUNT NUMBER: The system will display your Cash account number, if you have only one Cash account, or the primary Cash account number, if you have more than one. If there is only one Cash account, you begin entering information with the second line. If there are multiple Cash accounts, you can change the account number to the number of one of the other two Cash accounts specified under the Multiple Cash Accounts option.

—ACCOUNT NAME: The system will display this; check to see that it is the right one. Press the ESCAPE key if it is not

and you want to change the number.

—D(EBIT)/C(REDIT): Choose one to indicate whether the account should be debited or credited.

—AMOUNT: Enter it. Remember: Don't put in commas, dollar signs and minus or plus signs. Use the decimal point for amounts with cents.

Continue from the "Account number" entry as above for succeeding entries until you are done. The check can be distributed to as many as 21 different accounts.

NOTES: Debits must equal credits, and the system shows any out-of-balance condition on the screen. To end the transaction type "END" in the account number field. The system automatically puts "END" there when the entries are in balance, but it can be overridden to put in more entries. Press the ESCAPE key to back up and change entries. If you back up, use the RETURN key to go forward and accept the previous entries. Press the ? key for a list of accounts.

Once checks have been recorded, you must print those checks you specified as computer-generated checks. The check-printing routine has a feature to help you align your checks properly, and if you have problems or make a mistake you can reprint them all.

L-4 **CASH RECEIPTS**

USE: To record bank deposits to, and enter transactions in, the Cash Receipts Journal.

PROCEDURE:

—DATE: You can change the day but not the month.

—ENTRY NUMBER: The system assigns this number and automatically numbers subsequent entries. You can't change this.

—REFERENCE: Put a transaction description here.

—AMOUNT: Enter it. Use only numbers and the decimal point, if needed.

—ACCOUNT NUMBER: Enter it.

—D(EBIT)/C(REDIT): Choose one.

To distribute the deposit to more than one account, continue in the same way until you are done. You can have a maximum of 21 entries per transaction (seven per screen).

NOTES: The amount on the first line of entries is a debit to the Cash account specified during Startup. If there is only one Cash account, you begin entering information with the second line. If there are multiple Cash accounts, you can change the account number for the first line.

Debits must equal credits for each entry. The system shows any out-of-balance condition on the screen. To end the transaction type "END" in the account number field. The system automatically puts "END" there when the entire entry is in balance, but it can be overridden to put in more entries. Press the ESCAPE key to back up and change entries. If you back up, use the RETURN key to go forward and accept the previous entries. Press the ? key for a list of accounts on file.

L-5

5. CASH SALES MENU

1. Cash Sales Maintenance. Page 129.
2. Enter Cash Sales. Page 130.
3. Print Reconciliation Forms. Page 130.
4. Return to Startup Menu.

This feature is used to record cash register sales, ideally one that will give category totals--drugs, meats, vegetables, etc., for example, for a grocery store--at closing time. The register starts each day with a (usually) fixed amount of money, known as Cash In. Sales made during the day are entered on the register tape, and the money put in the drawer. At the end of the day a tally is made of the cash in, sales made and refunds given. The total should equal the amount in the drawer; any diffeence is known as Over/Short and is treated as a miscellaneous expense.

An amount is deducted to be made as a bank deposit, and the remainder, known as Cash Out, is left in the drawer or safe for the next day's business. Cash In and Cash Out amounts are usually the same, the variable being the amount deposited. One day's Cash Out becomes the next day's Cash In; this is important to remember, as is explained more fully in the Void Cash Sales section.

The first time you use the Cash Sales Journal, you must set it up; it is not done during Startup. The system will ask you to enter account numbers for: Cash on Hand (the money in the till) and Over/Short, if any Accounts for these amounts must already have been set up in the Chart of Accounts. Once the initial amounts are entered, they cannot be changed. The system prompts you for the amount of money in the cash drawer.

Then the system goes to the Cash Sales Maintenance Menu.

L-5-1 **1. CASH SALES MAINTENANCE.**

Cash In.

LINE 1: Cash on Hand (open). You cannot change this line.

LINES 2-9: Enter descriptions and account numbers. All amounts entered for these categories are recorded as credits. Typical entries are sales category accounts and sales tax liability.

Cash Out.

LINE 10: Cash on Hand (close). You cannot change this line.

LINES 11-18 (LINES 11-15 ON SOME COMPUTERS): Enter descriptions and account numbers. All amounts entered for these categories are recorded as debits. A typical entry would be the deposit to Cash in Checking.

By following your screen prompts you can:

1. Add an entry line.
2. Modify an entry line.
3. Delete an entry line.
4. Return to Cash Sales Menu.

You will be asked which line to add, modify or delete. You must have at least one entry for Cash In and one entry for Cash Out, in addition to the Cash on Hand entries at the top.

After setting up the Cash Sales Journal, choose the Print Reconciliation Forms option to get the forms on which to write down the cash register totals so you can enter this information into the system.

CASH RECONCILIATION PAGE 1
Scott's TV & Stereo

DATE: .../.../...

DESCRIPTION	AMOUNT
CASH IN	
CASH ON HAND (OPEN)	$.....
Television	$.....
Stereo	$.....
Records & Tapes	$.....
Misc. Hardware	$.....
Service & Repairs	$.....
Sales Tax	$.....
TOTAL CASH IN:	$.....
CASH OUT	
CASH ON HAND (CLOSE)	$.....
Bank Deposit	$.....
TOTAL CASH OUT:	$.....
CASH OVER/SHORT	$.....

L-5-2

2. ENTER CASH SALES.

Using the reconciliation form and your manual cash totals, enter the amounts requested on this screen. At the end, the system tallies the amounts, displays the Over/Short amount, if any, and asks you to verify it. If it is not correct, press the ESCAPE key to go back and make changes in your totals where needed.

L-5-3

3. PRINT RECONCILIATION FORMS.

Number of copies desired: Enter the number of forms you want printed. These forms are used to write down the register cash totals and duplicate the information asked for during "Enter Cash Sales."

L-6

6. AUTOMATED JOURNAL ENTRIES MENU

1. Add an Entry. Page 131.
2. Modify an Entry. Page 132.
3. Delete an Entry. Page 132.
4. Print Reference List. Page 133.
5. Process Automatic Journal. Page 133.
6. Return to Startup Menu.

There are some entries you will probably have to make month after month. This feature lets you set up recurring entries once; then, each month, all you have to do is tell the system to record them.

Use the Process Automatic Journal option to actually record automatic journal entries to the General Ledger.
NOTE: Only one account may be credited and one debited with each automatic journal entry.

You can add, delete or modify an automatic journal entry, and you can print a Reference List to verify the entries that will be made during posting. When you're done, you can return to the Ledger Menu.

L-6-1

1. ADD AN ENTRY.

REFERENCE NUMBER: Assigned by the system.

DEBIT ACCOUNT: Enter the number of the account to be debited. The system will display its title. If it is not the right one, press the ESCAPE key to go back so you can change it.

CREDIT ACCOUNT: Enter the number of the account you want to credit. The system will display its title. If it is not the right one, press the ESCAPE key to go back and change it.

AMOUNT OF TRANSACTION: Enter it. Use only numbers and the decimal point, if needed, for amounts including cents.

DESCRIPTION: Enter a brief description of the transaction.

NOTE: If you have previously deleted entries from the list, the system will reuse these reference numbers for new entries.

L-6-2 **2. MODIFY AN ENTRY.**

REFERENCE NUMBER: Enter it. The system will show the existing information. Change it if you need to.

DEBIT ACCOUNT: Change as desired.

CREDIT ACCOUNT: Change as desired.

AMOUNT OF TRANSACTION: Change as desired.

DESCRIPTION: Change as desired.

L-6-3 **3. DELETE AN ENTRY.**

REFERENCE NUMBER: Enter the one you want to delete.

The system will show the information below and ask you to verify that this is the entry you want to delete.

Debit account.

Credit account.

Amount of transaction.

Description.

NOTE: The reference numbers are assigned in sequence by the system. If you delete an entry from the middle of the list, the next addition will be made using this reference number.

L-6-4 **4. PRINT REFERENCE LIST.**

Select this option to print a list of your Automatic Journal Entries. The report will be listed by entry number and will show the debit and credit accounts, description and amount.

NOTE: You have the option to change only the report day. Depending on your computer model, you may also have the option of displaying the list on the screen or on a printer.

L-6-5 **5. PROCESS AUTOMATIC JOURNAL.**

Select this option when you are ready to begin the period close. The system will post those entries in the Automatic Jounl Entry list to the General Ledger.

NOTE: You may post the Automatic Journal Entries only once each month. If you have already posted the Automatic Journal Entries for this month, the system will tell you and will not allow you to do it again.

Before posting, you should obtain a current Reference Listing to verify that no entries need to be changed.

L-7

7. VOID TRANSACTIONS MENU

1. Cash Disbursements.	Page 134.
2. Cash Receipts.	Page 134.
3. General Journal.	Page 135.
4. Cash Sales.	Page 136.
5. Return to Startup Menu.	

L-7-1

1. CASH DISBURSEMENTS.

USE: To generate reversing entries for checks entered to the Cash Disbursements journal.

CHECK NUMBER: Enter the number of the check you want to void. The date, payee and amount will be displayed for you to verify.

IS THIS THE CORRECT CHECK (Y/N)?: Enter "Y" if this is the check you want to void, "N" if it is not.

If you enter "N" the system will ask if you want to search for a possible duplicate check number.

Search for duplicate check number (Y/N)?: Enter "Y" to search for another check with the same number, "N" to search for another check number. Press the ESCAPE key to return to the Void Transactions Menu.

NOTE: The voiding process will generate reversing entries for the original transaction. You may not reverse a check that has already been voided.

L-7-2

2. CASH RECEIPTS.

USE: To generate reversing entries for transactions made to the Cash Receipts Journal.

ENTRY NUMBER: Enter the Cash Receipts Journal entry number you want to void. The date, description and amount will be displayed for you to verify.

IS THIS THE CORRECT ENTRY (Y/N)?: Enter "Y" if you want to void this entry, "N" if you do not.

VOID THIS ENTRY (Y/N)?: Enter "Y" if you want to proceed to void this entry, otherwise enter "N." Press the ESCAPE key to return to the Void Transactions Menu.

NOTE: The voiding process will generate reversing entries for the original transaction. You may not reverse an entry that has already been voided.

L-7-3 **3. GENERAL JOURNAL.**

USE: To generate reversing entries for transaction made to the General Journal.

ENTRY NUMBER: Enter the General Journal Entry number you want to void. The system will display the date, description and amount for the transaction.

IS THIS THE CORRECT ENTRY (Y/N)?: Reply "Y" if this is the entry you want to void.

VOID THIS ENTRY (Y/N)?: Reply "Y" to void this entry, otherwise reply "N." Press the ESCAPE key to return to the Void Transactions Menu.

NOTE: The voiding process will generate reversing entries for the original transaction. You may not reverse an entry that has already been voided.

L-7-4

4. CASH SALES.

USE: To generate reversing (void) entries for entries made to the Cash Sales Journal.

ENTRY NUMBER: Enter the Cash Sales Journal entry number you want to void. The system will display the date, total cash in, total cash out and cash over/short for you to verify.

IS THIS THE CORRECT ENTRY (Y/N)?: Reply "Y" if this is the entry you want to void.

VOID THIS ENTRY (Y/N)?: Reply "Y" to void the entry. Press the ESCAPE key to return to the Void Transactions Menu.

NOTE: The Cash Sales entries form a "chain" of transactions, due to one day's Cash Out (less deposits) becoming the nextdy's Cash In. If you have entered Cash Sales transactions after the voided entry, this chain is broken and the system must void those entries also. Before voiding a Cash Sale in this case, obtain a Cash Sales Journal printout so that the other entries voided may be re-entered.

L-8

8. JOURNALS AND REPORTS
1. Chart of Accounts.
2. Trial Balance.
3. Detailed General Ledger.
4. General Journal.
5. Cash Disbursements Journal.
6. Cash Receipts Journal.
7. Cash Sales Journal.
8. Income Statement.
9. Balance Sheet.
10. Account Activity Report.
11. Check Register.
12. Return to Startup Menu.

USE: To print financial reports and information.

PROCEDURE: Select the report you want to print.

You may obtain reports from your current data disk or a prior month's archive disk you have saved. For current data disks, you may specify a date to appear at the top of the report.

INCOME STATEMENTS: If you have elected to use the Departments feature of the system, you will be asked whether you want a specific department or a consolidated report.

ACCOUNT ACTIVITY: You will be asked the account you want to be printed.

CHECK REGISTER: If you are using multiple Cash accounts, you may select the specific account(s) to appear on the register.

L-9

9. POST GENERAL LEDGER MENU
1. Month End.
2. Year End.
3. Return to Startup Menu.

Select the option that applies.

1. Month End will summarize and post the detailed transactions from the journals to the General Ledger and will produce the reports selected during Posting Configuration in the Configuration Menu. Do not select this option at the end of the last month of your fiscal year. Select Year End instead.

2. Year End: Select this option at the end of your fiscal year (which may be different from the January-December calendar year). The system will perform regular month-end processing and automatically produce the reports selected during Posting Configuration. Additionally, it will close the Income Statement accounts to the Retained Earnings or Equity account. The Income Statement accounts will be reset to zero to begin processing a new fiscal year.

L-10

10. CONFIGURATION MENU

1. Company Name. Page 139.
2. Hardware Information. Page 139.
3. Departmentalize Income. Page 139.
4. Multiple Cash Accounts. Page 140.
5. Classify Income Statement. Page 140.
6. Classify Balance Sheet. Page 142.
7. Posting Configuration. Page 143.
8. Advanced Operating Mode. Page 144.
9. Return to Startup Menu.

L-10-1

1. COMPANY NAME.

USE: The company name entered here will be printed on all reports.

PROCEDURE: Enter the company name you want to appear at the top of your reports.

L-10-2

2. HARDWARE INFORMATION.

Refer to the section in your Hardware Booklet called "Hardware Configuration: Printers."

L-10-3

3. DEPARTMENTALIZE INCOME.

USE: To tell the system that you want to produce separate Income Statements for each department or division in your company.

PROCEDURE: Reply "Y" if you want separate Income Statements for each department. Then the prompt "Record this information (Y/N)?" will appear. Enter "Y" to record the information and return to the Configuration Menu.

L-10-4 **4. MULTIPLE CASH ACCOUNTS.**

USE: To specify additional Cash accounts to be used in the Cash Disbursements and Cash Receipts journals. If you have already set these up at the System Configuration Menu, they will be displayed, along with the prompt "Press RETURN to continue." When you press RETURN you will be returned to the Configuration Menu.

NOTE: Once you enter these accounts, you may not delete them from the Chart of Accounts. You may specify two accounts in addition to your primary Cash account, for a total of three.

ERROR: The account number entered must already exist in the Chart of Accounts.

L-10-5

5. CLASSIFY INCOME STATEMENT

1. Revenue Range. Page 140.
2. Cost of Sales Range. Page 141.
3. Expense Range. Page 141.
4. Return to Startup Menu.

L-10-5-1 **1. REVENUE RANGE.**

USE: To obtain subtotals of ranges of accounts on the Income Statement.

PROCEDURE: You may specify five subtotals for the Income section of the Income Statement. Enter the highest account number for each range and the description you want to appear on the report. General Ledger will automatically increase the number you enter by one to provide the starting account number for the next range. Enter 4999 for your last range (4499 if

you are using Cost of Sales) to indicate you have entered all the ranges you want.

ERRORS: The account ranges you put in must be within the limits specified at the bottom of the screen, and each range must be higher than the one before it.

L-10-5-2 **2. COST OF SALES RANGE.**

USE: To obtain subtotals of ranges of accounts on the Income Statement.

PROCEDURE: You may specify five subtotals for the Cost of Sales section of the Income Statement. Enter the highest account number for each range and the description you want to appear on the report. General Ledger will automatically increase the number you enter by one to provide the starting account number for the next range. Enter 4999 for your last range to indicate you have entered all the ranges you want.

NOTES: This option will be available only if you have elected to use the Cost of Sales feature during Startup.

ERRORS: The account ranges you put in must be within the limits specified at the bottom of the screen, and each range must be higher than the one before it.

L-10-5-3 **3. EXPENSE RANGE.**

USE: To obtain subtotals of ranges of accounts on the Income Statement.

PROCEDURE: You may specify five subtotals for the Expense section of the Income Statement. Enter the highest account number for each range and the description you want to appear on the report. General Ledger will automatically increase the

number you enter by one to provide the starting account number for the next range. Enter 9999 for your last range to indicate you have entered all the ranges you want.

ERRORS: The account ranges you put in must be within the limits specified at the bottom of the screen, and each range must be higher than the one before it.

L-10-6

6. CLASSIFY BALANCE SHEET MENU

1. Asset Range. Page 142.
2. Liabilities Range. Page 143.
3. Equity Range. Page 143.
4. Return to Startup Menu.

L-10-6-1

1. ASSET RANGE.

USE: To obtain subtotals of ranges of accounts on the Balance Sheet.

PROCEDURE: You may specify five subtotals for the Asset section of the Balance Sheet. Enter the highest account number for each range and the description you want to appear on the report. General Ledger will automatically increase the number you enter by one to provide the starting account number for the next range. Enter 1999 for your last range to indicate you have entered all the ranges you want.

ERRORS: The account ranges you put in must be within the limits specified at the bottom of the screen, and each range must be higher than the one before it.

L-10-6-2 **2. LIABILITIES RANGE.**

USE: To obtain subtotals of ranges of accounts on the Balance Sheet.

PROCEDURE: You may specify five subtotals for the Liabilities section of the Balance Sheet. Enter the highest account number for each range and the description you want to appear on the report. General Ledger will automatically increase the number you enter by one to provide the starting account number for the next range. Enter 2999 for your last range to indicate you have entered all the ranges you want.

ERRORS: The account ranges you put in must be within the limits specified at the bottom of the screen, and each range must be higher than the one before it.

L-10-6-3 **3. EQUITY RANGE.**

USE: To obtain subtotals of ranges of accounts on the Balance Sheet.

PROCEDURE: You may specify five subtotals for the Equity section of the Balance Sheet. Enter the highest account number for each range and the description you want to appear on the report. General Ledger will automatically increase the number you enter by one to provide the starting account number for the next range. Enter 3999 for your last range to indicate you have entered all the ranges you want.

ERRORS: The account ranges you put in must be within the limits specified at the bottom of the screen, and each range must be higher than the one before it.

L-10-7 **7. POSTING CONFIGURATION.**

USE: To specify those reports you want to be automatically produced during period close posting.

PROCEDURE: Enter "Y" next to those reports you want to be prepared. Enter "N" next to those you do not want to be prepared.

NOTE: You may change these as necessary.

L-10-8 **8. ADVANCED OPERATING MODE.**

This option allows you to speed data entry by providing a default "Y" answer to screen prompts. The prompt "Use advanced mode (Y/N)?" will appear. Then the prompt "Record this information (Y/N)?" will appear. If you enter "Y" the message "Processing...please wait" will appear, and you will be returned to the Configuration Menu. Otherwise press ESCAPE to return to this section.

L-11 **11. COPY DISKS.**

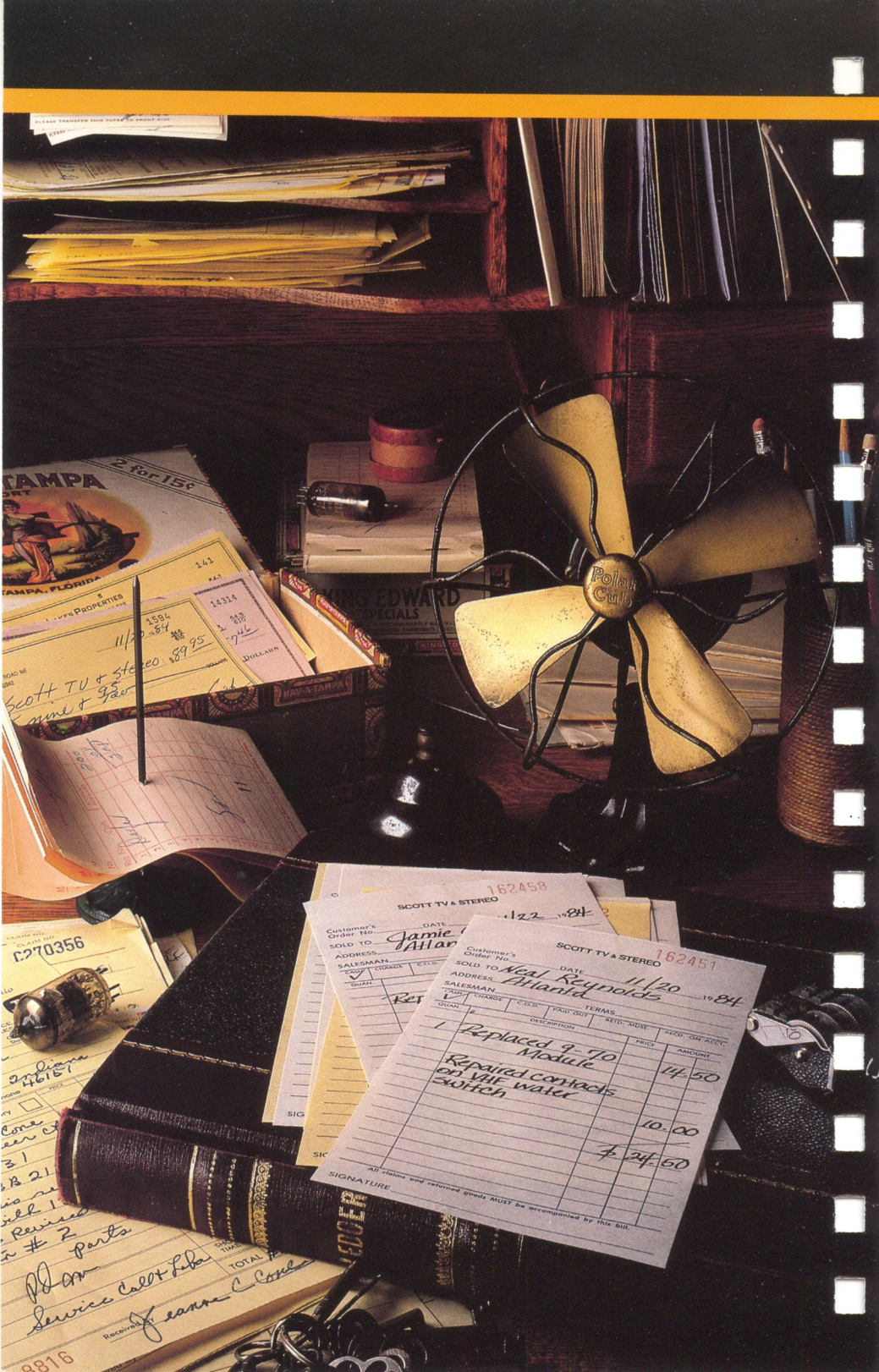
USE: To make backup copies of your data disks.

PROCEDURE: With a blank disk at hand, follow the screen prompts to make your backup copies.

L-12 **12. QUIT LEDGER.**

USE: To exit the system.

NOTE: If you have made changes to the data disk, the system will ask you if you want to make a backup copy before exiting the program. If you have made changes and not used option 11 ("Copy Disk") to create a backup, this is a good time to make a backup.


TAMPA
2 for 15¢
TAMPA, FLORIDA
SCOTT TV & STEREO
162458
Customer's Order No.
DATE
SOLD TO
Jamie Allan
ADDRESS
SALESMAN
CASH
CHARGE
C.O.D.
QUAN.
SCOTT TV & STEREO
162451
Customer's Order No.
DATE 11/20 19 84
SOLD TO Neal Reynolds
ADDRESS Atlanta
SALESMAN
CASH
CHARGE
C.O.D.
PAID OUT
TERMS
QUAN.
DESCRIPTION
RETD. MDSE.
RECD. ON ACCT.
PRICE
AMOUNT
1 Replaced 9-70 Module 14.50
Repaired contacts on VHF water switch 10.00
24.60
SIGNATURE
All claims and returned goods MUST be accompanied by this bill.
Polar Cub
Parts
Service Call Labor
TOTAL
Received
Jeanne C Cole

Accounts Receivable

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In this section you will learn about the Back to Basics Accounts Receivable module – what planning you need to do before you start, how to set up the system and how to use it on a day-to-day basis.

To illustrate these steps, we will look at Jim and Vera Scott and their new company, Scott's TV & Stereo. It is a sales and service company, and the Scotts are using the Back to Basics Accounting System to help them with their bookkeeping. To acquaint yourself with the procedures and reports used in the Back to Basics Accounts Receivable module, you can make the same entries on your computer that Jim and Vera make on theirs.

Planning the installation

Before installing the Back to Basics Accounts Receivable module, it is best to do a little planning to make sure that decisions made during the installation are the best ones for your company. This includes deciding on whether or not you want to link Accounts Receivable to the Back to Basics General Ledger, if you have it, whether or not to use certain options available in the system and how to tailor the system to meet your needs.

Jim and Vera have given some thought to their business accounting and how this affects their accounting system. They have made a list of people they have contacted about doing business with them. They feel confident that these people will be good customers and therefore need to be set up as accounts in their Receivables system. They have gathered together the following information for each of these customers: name, address, phone number, credit limit, the terms of their account, whether or not the customer is tax exempt and whether or not finance charges should be applied if needed. If all of these customers were not new, then Jim and Vera would have also noted the year-to-date sales, year-to-date finance charges, current balances and past-due balances for each customer.

They have decided to use alphabetical customer IDs consisting of six letters, as opposed to numeric IDs consisting only of numbers. If they had chosen to use numeric IDs, then those IDs with fewer than six digits would be preceded by zeros. Jim and Vera have assigned a unique ID for each customer. They also have at hand the six account numbers and names they will need during installation as described in the Accounts Receivable Reference Guide. They are ready to begin the installation.

Startup Procedures

Jim and Vera turn to the General Procedures section of their *Hardware Booklet* for a discussion on the specifics of operating the system with their particular computer. They also carefully read the instructions on loading the system for the first time and, following the instructions, load the Receivables module.

The first question the program asks is whether or not they have created their "data disk." Since this is the first time they have started the system, they enter "N."

With two blank disks and all their current information at hand, Jim and Vera continue to the next question. They plan to use all three modules of the Back to Basics Accounting System--General Ledger, Accounts Receivable and Accounts Payable. So they have decided to integrate, or link, their Accounts Receivable module to their General Ledger. They enter "Y" to the question. If they did not want to integrate Receivables, they would have entered "N." If Jim and Vera decide at some time in the future that they do not want the Receivables module integrated with the Ledger, they will be able to unlink (and subsequently relink) the modules.

If Jim and Vera had decided not to integrate the modules, it would be necessary to enter the following three items. With

integrated modules, the system retrieves the information from the General Ledger data disk, which has already been set up.

DISK DRIVES. If necessary, Jim would select the appropriate option for the type of disk drives his computer has. Since you may not have the same type of computer that Jim and Vera have, you should refer to your *Hardware Booklet* and make the appropriate reply. This prompt will not appear on all computers.

STARTUP DATE. If Jim and Vera were running the system unlinked, then they would enter the "startup date" here. This is the date the program will use as a beginning point for bookkeeping, and from then on the system will automatically increment the month (and year, if applicable) during month-end posting. The Scotts are starting business in the first week of November 1984.

COMPANY ID. Next, Jim and Vera would have to enter their company ID if they were not running the system integrated. It is important to remember that the company ID must be exactly the same for all three modules, if they are to be linked. Jim and Vera would enter the same company ID for Receivables that they did for General Ledger. Since they have decided to use their company name, they enter enter "SCOTTS."

PASSWORD. The program asks them to enter a password if they want to use one. Jim and Vera decide not to use a password and press the RETURN key to leave this field blank. Had they wanted to use the password feature, they would have entered a six-letter code that they could remember easily and then pressed the RETURN key.

ALPHABETICAL OR NUMERIC ID. Having previously decided to use alphabetical customer IDs, they enter "A" to elect to use IDs consisting only of letters. They would enter "N" to use IDs consisting only of numbers.

Finally, the question "Record this information (Y/N)?" appears. Mentally reviewing their responses to the questions, they reply "Y." Had they harbored any doubts, or if they just wanted to review their answers, they could have replied "N" and, using the ESCAPE key, stepped backwards through the questions to see their replies. If they discovered any errors they wanted to correct, they could make the changes as the questions reappeared. To go forward, they would use the RETURN key until they reach this question.

Following the instructions that now appear on the screen, Jim and Vera remove their Accounts Receivable program disk from the disk drive, insert their General Ledger data disk in the drive and press RETURN. The system will get the disk drive configuration and the company ID from the Ledger data disk. It will use the current Ledger processing month as the Accounts Receivable startup month and will set the day to the first day of that month.

Continuing, they label a blank disk "Accounts Receivable Data Disk," insert it into their second disk drive and press RETURN. (If a disk containing old information is used, the program asks if you want to use this disk. Be careful, as any information you have on the disk will be erased if you proceed. You may also read about this procedure in your Hardware Booklet under "Create Accounts Receivable Data Disk.")

Note: If Jim and Vera had not linked their modules, the procedure of inserting the General Ledger data disk would not have been applicable.

The Startup Menu

After the program finishes writing the initial information onto the data disk, it displays the Startup Menu. Jim and Vera can select the necessary steps they need to finish setting up the Back to Basics Accounts Receivable for their company.

Back to Basics Receivables Module

STARTUP MENU

1. Customer Maintenance.
2. A/R Configuration.
3. A/R Startup Reports.
4. Complete Startup Procedures.
5. Copy Disks.
6. Quit Receivables.

The procedures that Jim and Vera follow are listed in the section "Recommended Startup Sequence" in the Accounts Receivable Reference Guide. They see that the appropriate step at this point is to configure their system by selecting "A/R Configuration" (option 2) from the Startup Menu.

A/R CONFIGURATION MENU

1. Company Information.
2. Hardware Information.
3. Sales Accounts.
4. Sales Tax Accounts.
5. Statements Setup.
6. Automatic Invoice Numbering.
7. Finance Charge Configuration.
8. Posting Configuration.
9. Advanced Operating Mode.
10. Link/Uplink Receivables.
11. Return to Startup Menu.

COMPANY NAME. The "A/R Configuration Menu" appears next, after they remove their Ledger data disk and reinsert the Receivables program disk. They select the option Company Information (1). The program asks them to enter their company name as they want it to appear on their reports and their company address as they want it to appear on their customer statements. Since Jim and Vera have elected to link the modules, they accept their company name as it was entered in General Ledger by pressing RETURN. Then they enter their company's address in two fields as "55 Peachtree Road" and "Atlanta, GA 30326." After entering "Y" to the "Record this information (Y/N)?" prompt, the system records the information and returns to the A/R Configuration Menu.

HARDWARE INFORMATION. To tell the program about their printer, the Scotts select Hardware Information (option 2). At this point, Jim and Vera refer to the section called "Hardware Configuration: Printers" in the *Hardware Booklet* to learn the appropriate responses to the questions displayed.

After recording the information about their printer, they return to the A/R Configuration Menu.

SALES ACCOUNTS. Jim will use option 3, Sales Accounts, to tell the Receivables program exactly to which accounts he will be recording sales. Since he has already set up his Chart of Accounts in the General Ledger module, this will be a relatively simple procedure. If his modules were not linked, he would have to enter account numbers, remembering to keep the numbers within the 4000-4999 range. Invoices cannot be recorded until this is completed.

Jim selects option 1 for Add a Sales Account. Following the instructions on the screen, he once again removes the Receivables program disk from the drive and inserts the General Ledger data disk. He does not quite remember what the correct account numbers are for his sales accounts and does not have a printout handy, so he enters a "?" at the first position of the account number field. A listing of his chart of accounts appears on the screen, and he notes which are his sales accounts.

Jim enters the first account number, "4000." The program displays on the screen the sales category (account name) as it currently exists and gives a default of "Y" to add sales tax. If he had typed the wrong account number, he could enter the correct account

number after pressing the ESCAPE key. He decides he does not wish to change any of the information shown and accepts it by pressing the RETURN key. He double-checks the information and then records it by entering "Y" in answer to the screen prompt. If he did want to change something, Jim would simply type over the existing items. Note: Only the sales category and tax status can be changed here because the modules are linked.

Jim continues in this manner until he has entered all of the following sales accounts. After each entry, he pauses to check that he has not made any mistakes and then records the information by entering "Y."

4010 Sales - Records & Tapes "Y" taxable
4020 Sales - Misc. Hardware "Y" taxable
4030 Sales - Service & Repair "N" taxable

He returns to the Sales Account menu by pressing the ESCAPE key when he is through.

At this point, Jim can either modify the sales category and tax status or delete an account entirely by selecting the correct option from the menu. When he is satisfied with the information, he returns to the A/R Configuration Menu by selecting option 4 on the Sales Account Menu or by pressing the ESCAPE key.

Because new information was written to the Ledger data disk, the system recommends making a backup copy of the Ledger data disk.

SALES TAX ACCOUNTS. Since the Sales accounts are tax-

able, Jim must enter the Ledger sales tax accounts and the tax percentages to be computed on his sales. He will be able to enter up to three sales tax accounts. Since he has already set up these accounts in his Chart of Accounts in the General Ledger module, this will be a relatively simple procedure. If his Receivables were not linked to the Ledger, he would have to enter account numbers from scratch.

Jim selects the Sales Tax Accounts option (4) from the A/R Configuration Menu. If he had taken the General Ledger data disk out of the drive to make a backup, the system would ask him to insert the data disk again into the proper drive and press the RETURN key.

Jim enters "1" (Add a Sales Tax Account). Next he enters the account number for his sales tax account, "2400." Again, if he had entered the wrong account number, he could correct it by pressing the ESCAPE key and entering the correct number. The program displays the account description on the screen. He accepts the description as is by pressing the RETURN key. Next, he enters the tax percentage that is applicable, "5" for 5 percent. He checks the information and then records it by entering "Y" at the system prompt. If he did want to change something, Jim could type over the existing items. Note: Only the description and tax percentage can be changed here because the modules are linked.

Jim returns to the Sales Tax Accounts menu by pressing the ESCAPE key when he is through.

At this point, Jim can either modify the description or tax percentage or delete an account entirely by selecting the correct option from the menu. When he is satisfied with the information,

he returns to the A/R Configuration Menu by selecting option 4 on the Sales Tax Accounts Menu or by pressing the ESCAPE key.

Because new information was written to the General Ledger data disk, the system recommends creating a backup copy of the Ledger data disk.

STATEMENTS SETUP. From the A/R Configuration Menu, Jim selects Statements Setup (option 5) to tell the program what type of statements he will use, as well as some special format options.

Jim proceeds through the Statements Setup menu in order by first selecting "Preprinted Statements." Jim and Vera are planning to print their customer statements on plain 8-1/2"-by-11" white paper. He enters "N" at the "Use Preprinted Forms?" prompt. If he were using preprinted statement forms, he would enter "Y" for yes. After this information is recorded, they return to the Statements Setup Menu.

The Scotts would like to have short messages printed on their statements. Jim selects option 2, Dunning Notices, and, after reading the comments that appear on the screen, enters the following four messages:

0-30 Thank you for your business
31-60 Your payment is appreciated
61-90 Please pay promptly
90+ Payment expected immediately

The message that appears on the statement is determined by the latest time period for which the customer has a positive balance.

After typing each message, he presses the RETURN key. After checking the information, he records it by entering "Y" to the "Record this information (Y/N)?" prompt. The program returns to the Statements Setup Menu after the last message is recorded.

Next, Jim selects option 3, Terms, to specify the terms codes that will appear on each customer's statement. Three terms are already set up in the program, but the Scotts want to use a fourth one. Jim enters "4" to use the next available blank line. He types "Net 90," presses the RETURN key and records the information by entering "Y."

Jim presses the ESCAPE key to return to the Statements Setup Menu and the ESCAPE key again to return to the A/R Configuration Menu.

[redacted]

AUTOMATIC INVOICE NUMBERING. The system will automatically number invoices unless told to do otherwise with the Automatic Invoice Numbering option (number 6). They select this option. Jim and Vera want their invoice numbers to consist only of numbers and for the system to automatically increment the invoice number. They enter "Y" and press the RETURN key. They record the information and return to the A/R Configuration Menu. If they wanted their invoice numbers to consist of both letters and numbers then they would have entered "N" at the "Use Automatic Numbering?" prompt.

[redacted]

FINANCE CHARGE CONFIGURATION. By selecting Finance Charge Configuration, option 7, from the menu, the Scotts will be able to add finance charges to customers' accounts.

After reading the screen comments, Jim enters "1" for their 1 percent finance charge and presses the RETURN key. Then he specifies, for the customers selected to receive charges, which balances these charges will be applied to. Jim enters "2" so charges will be applied to balances outstanding for over 60 days. He presses the RETURN key and then enters "Y" to the system prompt to record the information. The program returns to the Configuration Menu.

POSTING CONFIGURATION. Selections from option 8, Posting Configuration, tell the program which reports are to be prepared during the posting process. Unless told differently, the program assumes that all of the month-end reports are to be prepared. At month-end closing, it will print the Receivables Summary, Finance Charges Journal, Sales Journal, Payments Journal and Detailed A/R Ledger. Since the Scotts are not yet sure which reports they will need to keep for audit purposes, they decide to let the program print all of the reports for the first few postings, and they will decide later which reports, if any, they do not need. They record the information and return to the A/R Configuration Menu.

ADVANCED OPERATING MODE. Jim decides not to use the Advanced Operating Mode option (number 9) because he is still learning the system and needs all the on-screen help he can get. He answers "N" to the "Use Advanced Mode?" question and returns to the Configuration Menu.

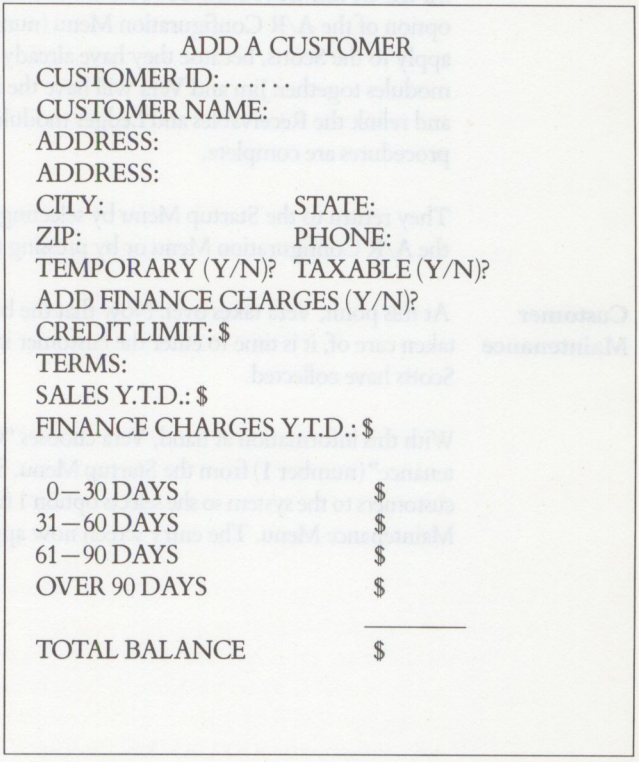
LINK/UNLINK ACCOUNTS RECEIVABLE. This last option of the A/R Configuration Menu (number 10) does not apply to the Scotts, because they have already chosen to link the modules together. Jim and Vera will have the ability to unlink and relink the Receivables and Ledger modules after the startup procedures are complete.

They return to the Startup Menu by selecting the last option on the A/R Configuration Menu or by pressing the ESCAPE key .

Customer Maintenance

At this point, Vera takes over. Now that the basics have been taken care of, it is time to enter the customer information the Scotts have collected.

With this information at hand, Vera chooses "Customer Maintenance" (number 1) from the Startup Menu. She will be adding customers to the system so she selects option 1 from the Customer Maintenance Menu. The entry screen now appears.


ADD A CUSTOMER
CUSTOMER ID: . . . . . .
CUSTOMER NAME:
ADDRESS:
ADDRESS:
CITY:
STATE:
ZIP:
PHONE:
TEMPORARY (Y/N)?
TAXABLE (Y/N)?
ADD FINANCE CHARGES (Y/N)?
CREDIT LIMIT: $
TERMS:
SALES Y.T.D.: $
FINANCE CHARGES Y.T.D.: $
0—30 DAYS $
31—60 DAYS $
61—90 DAYS $
OVER 90 DAYS $
TOTAL BALANCE $

Vera enters "BISHOP," the ID for her first customer, on the first line next to "Customer ID" and presses the RETURN key. The program moves to the next line and she enters "Steve Bishop" next to "CUSTOMER NAME" and presses the RETURN key. She continues in the same manner, entering the remaining information as shown below for this customer. She checks to see if the information is correct. If she wanted to change something, she could enter "N" to the "Record this information (Y/N)?" prompt and then press the ESCAPE key to move backwards through the screen until she reached the line she change. The new information would be typed and Vera would press the RETURN key to move forward again through the screen. Before continuing to the second customer, she records the information by entering "Y" and pressing the RETURN key. Vera continues the same process for each customer on the list. When she is finished entering all of her customers, she returns to the Customer Maintenance Menu by pressing the ESCAPE key.

Note: The Terms Code entry is the line number from the entries made during Statement Setup. To review the existing terms, Vera presses the ? key and gets a display of the proper line numbers. If a customer is designated as "temporary," then that customer would be removed from the system during month-end closing, provided the balance of the customer's account equals zero. Pressing the RETURN key for Sales YTD, Finance Charges YTD and Total Balances will automatically enter an amount of $0.00.

Since this is a new business, her customers do not have any current balances, year-to-date sales or finance charges. If they did, this would be the time to enter these amounts. Once startup is completed, these balances cannot be changed except by entering invoices, payments and credit or debit memos.

```
CUSTOMER ID: BISHOP
CUSTOMER NAME: Steve Bishop
ADDRESS: 989 E. Marietta Drive
ADDRESS:
CITY: Marietta      STATE: GA
ZIP: 30069          PHONE: 404/255-2298
TEMPORARY (Y/N)? N   TAXABLE (Y/N)? Y
ADD FINANCE CHARGES (Y/N)? Y
CREDIT LIMIT: $5000
TERMS: 2
SALES Y.T.D.: $0.00
FINANCE CHARGES Y.T.D.: $0.00
 0—30 DAYS          $0.00
31—60 DAYS          $0.00
61—90 DAYS          $0.00
OVER 90 DAYS        $0.00

TOTAL BALANCE       $ 0.00
```

```
CUSTOMER ID: YOUNG
CUSTOMER NAME: Leslie & Brian Young
ADDRESS: 450 Hamlet Way
ADDRESS:
CITY: Atlanta        STATE: GA
ZIP: 30399           PHONE: 404/237-8999
TEMPORARY (Y/N)? N   TAXABLE (Y/N)? Y
ADD FINANCE CHARGES (Y/N)? N
CREDIT LIMIT: $None
TERMS: 3
SALES Y.T.D.: $0.00
FINANCE CHARGES Y.T.D.: $0.00
 0—30 DAYS          $0.00
31—60 DAYS          $0.00
61—90 DAYS          $0.00
OVER 90 DAYS        $0.00

TOTAL BALANCE       $ 0.00
```

```
CUSTOMER ID: BASIL
CUSTOMER NAME: Gordon Basil
ADDRESS: 401 Parkway Drive
ADDRESS: Apt. 2-B
CITY: Atlanta        STATE: GA
ZIP: 30029           PHONE: 404/679-4567
TEMPORARY (Y/N)? N   TAXABLE (Y/N)? Y
ADD FINANCE CHARGES (Y/N)? Y
CREDIT LIMIT: $1500
TERMS: 4
SALES Y.T.D.: $0.00
FINANCE CHARGES Y.T.D.: $0.00
 0—30 DAYS          $0.00
31—60 DAYS          $0.00
61—90 DAYS          $0.00
OVER 90 DAYS        $0.00

TOTAL BALANCE       $ 0.00
```

```
CUSTOMER ID: JMT
CUSTOMER NAME: Joyce M. Thompson
ADDRESS: 390 Fair Oaks Road
ADDRESS:
CITY: Duluth          STATE: GA
ZIP: 30329            PHONE: 404/449-0906
TEMPORARY (Y/N)? N   TAXABLE (Y/N)? Y
ADD FINANCE CHARGES (Y/N)? N
CREDIT LIMIT: $500
TERMS: 4
SALES Y.T.D.: $0.00
FINANCE CHARGES Y.T.D.:$0.00
 0—30 DAYS        $0.00
31—60 DAYS        $0.00
61—90 DAYS        $0.00
OVER 90 DAYS      $0.00

TOTAL BALANCE     $ 0.00
```

If, after she has recorded all the information for her customers, Vera finds out that she must change an address or delete a customer from the file, she can do so at any time by selecting the Modify or Delete a Customer options from the Customer Maintenance Menu.

Startup Reports

Jim and Vera decide that they want to print a detailed listing of all their customer information to verify that everything is correct. They use the ESCAPE key to exit the Customer Maintenance Menu and return to the Startup Menu. Here they select option 3, Startup Reports, to get their listing. The program

displays the Startup Reports Menu and they select option 1, Customer Master List.

Next they have to decide which group of customers they want to list. Since they want to see all of their customers, they select option 1, All Customers.

Vera enters the date (day) that will appear on the report. Then she chooses whether they want the report printed or displayed on the screen. They decide to print it. (Note: Some computers cannot display the report on the screen and, therefore, will not display this prompt.)

After checking over the listing and finding no errors, they decide that they do not need any other reports at this time and return to the Startup Menu.

Complete Startup Procedures

The Scotts mentally check that they have entered all the information necessary to begin normal processing and select item 4, Complete Startup Procedures. They read the next information screen and press the RETURN key.

Since they have linked their Receivables and Ledger modules, the system will once again tell them to insert their General Ledger data disk into the proper drive. The system will ask them to verify that their General Ledger contains the six specific accounts with account numbers in the proper range. Even if the Scotts had not integrated Receivables with General Ledger, they would have to go through this process.

COMPLETE STARTUP PROCEDURES
** NOTE **
DO NOT PROCEED UNLESS:

1. All your customers and their current balances have been entered correctly.

2. Your G/L includes the following accounts in the following ranges:

Accounts Receivable	1000-1999
Cash in Bank	1000-1999
Finance Charge Revenue	4000-4999
Sales Discounts	4000-4999
Sales Returns/Allowances	4000-4999
Miscellaneous Revenue	4000-4999

Press "Return" to continue
Press "Esc" to return to menu

After noting the information on the screen, they continue by pressing the RETURN key. Vera verifies the information on the screen with their Chart of Accounts. Seeing that it is correct, she presses the RETURN key. She continues this process through the next five screens. She has one last chance to check this information and enters "Y" because the information is correct. She knows her balances are correct and enters "Y" again.

Once the startup is complete, the system asks the Scotts to reinsert their Accounts Receivable program disk and reminds them to make a backup copy of their data disks. The Receivables Menu appears on the screen.

Taking the advice of the system, the Scotts decide to make a backup copy of their data disk now. From the Receivables Menu, they select option 11, Copy Disks. They remove the program disk, insert a blank disk in the drive and press the RETURN key. While the disk is being copied, Vera prepares a label for the copied disk with "Accounts Receivable Startup Data 11/01/84." They do not want to copy another disk, so they enter "N" at the "Do you wish to copy another disk?" prompt. After reinserting the program disk and pressing the RETURN key, the Receivables Menu reappears.

Daily Processing

As they conduct business, the Scotts make the necessary entries to their Accounts Receivable system. For the purposes of illustration, we will now review the typical entries and procedures the Scotts use throughout the month.

RECEIVABLES MENU

1. Customer Maintenance
2. Record Invoices
3. Record Payments
4. Credit & Debit Memos
5. Finance Charges
6. Void Transactions
7. Issue Statements
8. Journals and Reports
9. Post Receivables
10. A/R Configuration
11. Copy Disks
12. Quit Receivables

From the Receivables Menu the Scotts can access all the programs needed to enter invoices, payments and credit or debit memos, to print statements and reports and to close out a month or year.

RECORD INVOICES. The Scotts need to record invoices for all the sales they have made on account. Jim selects option 2, Record Invoices, and the invoice entry screen appears.

Jim does not remember the proper ID for the first customer invoice so he presses the ? key at the first position of the Customer ID line. A list of customer IDs and their names appears. He makes whatever notes he needs and presses the RETURN key to go back to the entry screen.

The first invoice is for Steve Bishop. Jim enters "Bishop" for the ID and presses the RETURN key. The customer's name appears on the screen. The date for the invoice is 11/05/84. He can enter only the day, since the system keeps track of the monh and the year. He enters "05" next and presses the RETURN key. Even though the Scotts elected to use automatic invoice numbering, they must start the numbering by entering the first invoice number. Jim enters "1" and presses the RETURN key.

Then he enters the sales and sales tax amounts. Steve purchased a small RCA TV, a stereo and some records. Jim types "329.95" on the first line and presses the RETURN key. Then he enters "41.04" on the second line and presses the RETURN key again. He presses the RETURN key through the next two Sales categories and comes to the Sales Tax category. He notices that the system automatically calculates the sales tax and totals the invoice amount. He accepts these amounts and records the invoice by entering "Y" at the system prompt. A new entry screen appears.

The next invoice is for Brian Young, so he types "YOUNG" for the ID and presses the RETURN key. The customer name appears so he can check to make sure that this is the correct customer. He types "05" for the day and presses the RETURN key. He accepts the automatically generated invoice number by pressing the RETURN key and proceeds to enter the sale. On the first line he enters "612.75" and presses the RETURN key until the "Record this information (Y/N)?" prompt appears. Jim records the invoice by entering "Y."

One convenient feature of the system that the Scotts like to use is the ability to call up the next or prior customer ID by entering CONTROL A or CONTROL Z, respectively, at the Customer ID line once a customer has already been entered. In

addition, by entering the first letter of an alphabetic customer ID, the system will call up the first customer whose ID starts with that particular letter.

Now that entering invoices is a familiar procedure, let's continue and enter invoices for the following sales. The Sales Tax and Invoice Total amounts will be generated by the program; no separate entry is necessary.

CUSTOMER ID: YOUNG DATE: 11/08/84
CUSTOMER NAME: Leslie & Brian Young
INVOICE #: 3

	AMOUNT
Sales—TV & Stereo	$ 0.00
Sales—Records & Tapes	$ 42.10
Sales—Misc. Hardware	$ 224.99
Sales—Service & Repair	$ 75.00
Sales Tax Payable	$
INVOICE TOTAL	$

CUSTOMER ID: BASIL DATE: 11/09/84
CUSTOMER NAME: Gordon Basil
INVOICE #: 4

	AMOUNT
Sales—TV & Stereo	$ 675.66
Sales—Records & Tapes	$ 12.04
Sales—Misc. Hardware	$ 179.18
Sales—Service & Repair	$ 0.00
Sales Tax Payable	$
INVOICE TOTAL	$

CUSTOMER ID: JMT DATE: 11/18/84
CUSTOMER NAME: Joyce M. Thompson
INVOICE #: 5

	AMOUNT
Sales—TV & Stereo	$ 499.00
Sales—Records & Tapes	$ 0.00
Sales—Misc. Hardware	$ 0.00
Sales—Service & Repair	$ 0.00
Sales Tax Payable	$
INVOICE TOTAL	$

CUSTOMER ID: BASIL DATE: 11/19/84
CUSTOMER NAME: Gordon Basil
INVOICE #: 6

	AMOUNT
Sales—TV & Stereo	$ 0.00
Sales—Records & Tapes	$ 24.98
Sales—Misc. Hardware	$ 47.50
Sales—Service & Repair	$ 0.00
Sales Tax Payable	$
INVOICE TOTAL	$

CUSTOMER ID: BISHOP DATE: 11/25/84
CUSTOMER NAME: Steve Bishop
INVOICE #: 7

	AMOUNT
Sales—TV & Stereo	$ 0.00
Sales—Records & Tapes	$ 0.00
Sales—Misc. Hardware	$ 177.89
Sales—Service & Repair	$ 0.00
Sales Tax Payable	$
INVOICE TOTAL	$

When the entry screen appears again after recording the last invoice, Jim returns to the Receivables Menu by pressing the ESCAPE key.

RECORD PAYMENTS. The Record Payments program is used to track payments received from customers. The Scotts will now enter the payments they have received.

Vera selects option 3, Record Payments, from the Receivables Menu. The entry screen appears. The process is very similar to entering invoices. Vera proceeds to enter the appropriate information on each line.

Vera enters "BASIL" as the Customer ID and presses the RETURN key. The payment date is 11/29/84, so she types in "29" for the date. The check number is 422 and the amount is $175.00. Vera types "422" and "175" on the appropriate line and presses the RETURN key after each entry. If the Scotts allowed their customers to take payment discounts and the customer had taken a discount, Vera would enter that on the next line. Since Basil did not take a discount, she presses the RETURN key and moves to the "Record this information (Y/N)?" prompt. She enters "Y" and records the payment.

The system will automatically apply the payment to the oldest outstanding balance. If this were not acceptable, Vera could change this by entering "N" at the system prompt. Then, using the ESCAPE key, she could go backward through the screen to change the appropriate line. This same process applies to changing anything on the screen before recording the information. Pressing the RETURN key moves her forward again to the "Record this information (Y/N)?" prompt.

At the new entry screen, Vera proceeds to enter the payments according to the following information.

CUSTOMER ID: YOUNG DATE: 11/25/84
CUSTOMER NAME: Leslie & Brian Young
CHECK#: 366
AMOUNT OF PAYMENT: $342.09
DISCOUNT TAKEN: $0.00

CUSTOMER ID: BASIL DATE: 11/29/84
CUSTOMER NAME: Gordon Basil
CHECK#: 422
AMOUNT OF PAYMENT: $175
DISCOUNT TAKEN: $0.00

CUSTOMER ID: JMT DATE: 11/30/84
CUSTOMER NAME: Joyce M. Thompson
CHECK#: 577
AMOUNT OF PAYMENT: $350
DISCOUNT TAKEN: $0.00

CUSTOMER ID: BISHOP DATE: 11/30/84
CUSTOMER NAME: Steve Bishop
CHECK#: 277
AMOUNT OF PAYMENT: $250
DISCOUNT TAKEN: $0.00

When the entry screen appears after all payments have been recorded, Vera returns to the Receivables Menu by pressing the ESCAPE key.

CREDIT AND DEBIT MEMOS. Credit and debit memos are used to adjust customer accounts. A credit memo reduces the customer's balance; a debit memo increases it.

One of the Scotts' customers had to return a black-and-white portable TV. Thus, the Scotts need to issue a credit memo for the return.

At the Receivables Menu, Jim enters "4" to select Credit & Debit Memos. From the Credit & Debit Memos Menu, Jim selects option 1, Record Credit Memos. After reading the information displayed on the screen, he continues by pressing the RETURN key. He notices that the entry screen looks very similar to the payment entry screen.

Jim types "BISHOP" for the Customer ID and presses the RETURN key. The customer's name appears on the screen for him to verify that this is the correct customer. He types "22" to specify the day and presses the RETURN key. He then accepts the default Credit Memo number by pressing the RETURN key. Jim could have changed the memo number by typing over the one that appeared. He types "77.21" as the Amount of Credit and presses the RETURN key. The system automatically applies this to the oldest invoice. If this needed to be changed, Jim could have used the same process that Vera did when she entered payments. He records the information by entering "Y" at the "Record this information (Y/N)?" prompt, and the system records it in the customer's account.

At the new entry screen, Jim presses the ESCAPE key to return to the Credit & Debit Memos Menu and then presses the ESCAPE key again to return to the Receivables Menu.

VOIDING TRANSACTIONS. A few days later, Vera notices that the returned TV is damaged. The Scotts decide that the customer must pay for the damage. Since a credit memo was issued, they decide to cancel the credit.

At the Receivables Menu, Vera selects the Void Transactions program by typing a "6" and pressing the RETURN key. She selects option 3 from the Void Transactions Menu and presses the RETURN key.

At the entry screen, Vera types the memo number, "1," and presses the RETURN key. The system shows the memo information on the screen and asks if this is correct. She replies "Y." If this had not been the correct information, she would have entered "N," and the system would have asked if she would like to look for a duplicate memo number.

She executes the voiding of the credit memo by entering "Y" at the question to void the credit and presses the RETURN key. To return back to the Receivables Menu, she presses the ESCAPE key twice.

RECORD FINANCE CHARGES. The Scotts are getting ready to prepare monthly statements. Before they print the statements, finance charges need to be added to accounts selected to receive finance charges. It is a good idea to do this as close as possible to the time that statements are printed to ensure that all payments are applied to the proper accounts.

Vera selects option 5 from the Receivables Menu. From the Finance Charge Menu, she selects 1, Record Finance Charges.

After reading the information on the screen, Vera enters "Y" for yes and presses the RETURN key to record the finance charges. The program adds finance charges to the appropriate customer accounts. In this instance, the program will return directly to the Receivables Menu. No finance charges were applied because none of the Scotts' accounts are past due yet.

PRINTING STATEMENTS. Now that all invoices, payments, memos and finance charges have been recorded, the Scotts will print customer statements.

Jim selects option 7, Issue Statements, from the Receivables Menu. The program allows statements to be printed for any month. Since the Scotts have only one month with transactions, Jim presses the RETURN key since the appropriate data disk is already in the drive. The Statements Menu appears.

The Scotts want to print statements for all their customers, so Jim types "1" and presses the RETURN key. At the date screen, Jim changes the day to 30, since it is the end of the month. After reading the printer messages, Jim presses the RETURN key and printing begins. When finished, the system automatically returns to the Receivables Menu.

PRINTING REPORTS. Now that the November entries have been entered for Scott's TV & Stereo, reports should be printed.

JOURNALS AND REPORTS MENU
1. Customer Master List.
2. Detailed A/R Ledger.
3. Receivables Summary.
4. Sales Journal.
5. Payments Journal.
6. Finance Charges Journal.
7. A/R Aging Report.
8. Customer Reference List.
9. Mailing Labels.
10. Return to Receivables Menu.
11. Please enter your selection ->.

At the Receivables Menu, Vera types "8" and presses the RETURN key. From the Journals and Reports Menu, Vera will select the reports to be printed. Since most of the reports will be printed during month-end closing, Vera needs to print only reports 1 (the Customer Master List), 7 (the A/R Aging Report) and 8 (the Customer Reference List) now. She types "1" and presses the RETURN key. From the Customer Master List Menu, she decides to print a list of all her customers and types "1" and presses the RETURN key.

When she selects reports 7 and 8, all she must enter is the report date, which should be 11/30/84. (Some machines will allow the report to be viewed on the screen. The prompt "Printer or Screen (P/S): S" will appear on the screen, if applicable.)

After printing the three reports, Vera returns to the Receivables Menu by pressing the ESCAPE key or by selecting option 10 and pressing the RETURN key.

Post Accounts Receivables

As it is the end of the month, it is necessary to "close" out this month and open the books for the next month. The program will automatically increment the month, "age" the receivables balances in the customer accounts and create the necessary journal entries. The system will also post the necessary journal entries to the proper General Ledger accounts if the modules are linked. This can be done by selecting option 9, Post Receivables, from the Receivables Menu. From the Post Receivables Menu, option 2, Month End Posting, is chosen.

Warning: Since they have linked their Receivables module to their General Ledger, the Scotts must post Receivables prior to posting their General Ledger!

The program provides some information to the Scotts on the screen. With a blank disk at hand, they proceed by entering "Y" at the "Post A/R at this time?" prompt. Once the archive disk is created, Accounts Receivable begins printing the reports. When printing is complete, posting begins. The system will require Jim to insert his General Ledger data disk after the reports are printed because the Scotts have elected to link their modules. This would not be required otherwise.

To return to the Receivables Menu, Jim presses the RETURN key when all processing is finished.

Conclusion

Congratulations! You, along with the Scotts, have completed one month of business. For additional practice or experimentation with the program, you should enter some sample data for December also. Follow the same procedures used in November's daily processing.

The main exception is at the end of the fiscal year. If December were the last month of the Scott's TV & Stereo fiscal year, which is not necessarily the same as the calendar year, Vera and Jim would select the Year End Posting option from the Post Receivables Menu. There is no need to post month end separately from year end, because Year End Posting includes month end posting. If, at the end of the fiscal year, Month End Posting was done in addition to Year End Posting, the system would increment the month twice. Thus, Year End Posting should be done in December only if December is the end of your fiscal year.

Prior to closing out December, a backup copy of the December data disk should be made.

The Scotts review the reports generated by their system. They notice that the transactions from Accounts Receivable are included in General Ledger. Comparing the November and December reports should show the effect your entries had on all your accounts.

Now type "12" and press the RETURN key to Quit Receivables. You should continue making sample entries until you feel comfortable running Accounts Receivable and are ready to install it for your company.

This Reference Guide to the Back to Basics Accounts Receivable is divided into four sections: "Startup Planning," "Recommended Startup Sequence," Startup Procedures" and "Maintenance Procedures."

"Startup Planning" discusses things you should think about and decisions you will have to make in setting up Accounts Receivable.

"Recommended Startup Sequence" takes you through the steps you should perform to set up Accounts Receivable.

"Startup Procedures" details the operations needed to get your system going. These include such things as entering your customer records and specifying account numbers.

"Maintenance Procedures" covers in detail all the menu items you will use on a daily or weekly basis to operate Accounts Receivable. This section will explain the use of each menu item.

Startup Planning

During the startup process you will be asked questions to describe your company to the system. Before beginning the process, you should plan what your requirements are so that the system will better suit your needs. The following areas should be considered.

INTEGRATION WITH GENERAL LEDGER. The Accounts Receivable module can be run by itself or integrated with the Back to Basics General Ledger. Once integrated with General Ledger, information from Accounts Receivable is recorded automatically in General Ledger during month- or year-end posting.

In order to link the two modules, the startup procedures for the General Ledger module must be completed before Accounts Receivable is set up. General Ledger must contain the following six accounts with account numbers within the following ranges:

Accounts Receivable	1000-1999
Cash in Bank	1000-1999
Finance Charge Revenue	4000-4499
Sales Discounts	4000-4499
Returns and Allowances	4000-4499
Miscellaneous Revenue	4000-4499

During startup, the system will ask you to use your General Ledger data disk and will automatically read this information to the Accounts Receivable data disk. Reconfirmation is made during the complete startup procedures.

NOTE: Whether you are integrating Accounts Receivable with General Ledger or not, the system will ask you for the six account numbers above before completing the startup procedures.

STARTUP DATE. This is the date you will begin to record transactions. Thereafter, each month will be incremented automatically each time you "close" your books. If you are just beginning to maintain Accounts Receivable records, use the month and year that you intend to begin entering transactions for your startup date. If you want to link Accounts Receivable to General Ledger, make sure the startup date matches the General Ledger period in which you will begin the linked Accounts Receivable.

COMPANY ID. The system uses the Company ID to identify data disks for different companies. You should assign a unique six-character code for each company. If you are going to use General Ledger, make sure the codes are the same for each company in Accounts Receivable as in General Ledger.

[redacted]

PASSWORD. The system will allow you to assign a password to protect access to your financial information. To do this, enter a six-character code. Remember this code, because you will be asked to identify yourself each time you attempt to begin processing, and you will not be able to run the system without the correct password. You will be given five chances to enter the correct password. If the fifth try is incorrect, you will get the message "Invalid Password" and you will have to restart the system. You may choose not to use a password by leaving this field blank.

[redacted]

ALPHABETICAL OR NUMERIC CUSTOMER ID. You must assign a unique six-character ID to every one of your customers. This ID may consist of either numbers only or letters only. If number-only IDs are chosen, the system will add leading zeros to numbers consisting of fewer than six digits. Alphabetical IDs, if entered in lowercase letters, will be converted to capital letters by the system.

Recommended Startup Sequence

1. Proceed through the "Startup Procedures" section in your *Hardware Booklet* until you come to the Startup Menu.
2. Select the Accounts Receivable Configuration option.

3. From the Accounts Receivable Configuration Menu, select the Company Information option and enter your company name and address.

4. Select the Hardware Information option (number 2) and refer to your *Hardware Booklet* for further information.

5. Return to the Configuration Menu and select the Sales Accounts option (number 3). Invoices can be recorded to a maximum of 10 separate sales accounts. These accounts, usually Revenue accounts numbered between 4000 and 4999, must be specified before you will be allowed to record invoices. If Accounts Receivable is linked to General Ledger, these accounts must already exist in your Chart of Accounts. You can change the title and taxable status only by selecting the Add a Sales Account option and entering the appropriate account number. If the modules are not linked, add the sales accounts through the Add a Sales Account option and manually enter all the information.

6. Return to the Configuration Menu and select the Sales Tax Accounts option. You can have up to three sales tax accounts by entering the account numbers (between 2000-2999), descriptions and sales tax percentages to be applied. With linked systems, these numbers must already exist in the General Ledger Chart of Accounts. Changes are made through the Add, Modify or Delete options. Linked systems will not allow any changes to account numbers, only to descriptions and percentages.

7. Return to the Configuration Menu and select Statements Setup (number 5). From the Statements Setup Menu, select whether to print your customer statements on preprinted statement forms or on plain 8-1/2"-by-11" paper through the Pre-

printed Statements option. The Dunning Notices option allows you to enter the short dunning messages you want to appear on customer statements for each aging period. Leave the line(s) blank if you do not want any messages to appear. Up to 10 different types of terms can be specified through the Terms option.

8. Automatic invoice numbering, finance charge calculations and reports to be generated at posting can be specified by selecting the appropriate options from the Configuration Menu (numbers 6, 7 and 8). Return to the Startup Menu by selecting number 11 or by pressing the ESCAPE key.

9. From the Startup Menu, select the Customer Maintenance option and enter all your customer information through the Add a Customer option. During startup you will be able to change any of the information you entered that appears on the screen. After that, you will not be able to change year-to-date sales, year-to-date finance charges, aging period balances and total balances. The system automatically updates this information for you.

10. After you have finished entering your customer information, return to the Startup Menu and choose the Startup Reports option. You can obtain a listing of customer balances by selecting the Aging Report option. Use these reports to verify that what you have entered is correct. If you need to make changes, return to the Customer Maintenance Menu to make them.

11. Once you have entered and verified your customer information and balances, proceed to the Startup Menu and select the Complete Startup Procedures option to tell the system that you are finished with Startup. Thereafter, when you begin a session, you will see the password screen, if you chose to use a password,

and then the company ID and date screen. Then you will go right to the Receivables Menu.

Startup Procedures

During the Startup process, you will tell the system about your company and your specific computer equipment by answering questions asked by the system. As you enter information, be sure to press the RETURN key after each response to a computer prompt to make the computer accept your information.

Because the specific procedures to follow depend on the type of machine you are using, proceed to the section "Startup Procedures" in the *Hardware Booklet.* There you will find answers to your questions about your specific computer and directions for continuing the "Startup Procedures."

INTEGRATE A/R WITH G/L (Y/N)? If you want to integrate Accounts Receivable with General Ledger, enter "Y." If you enter "Y" the next two prompts do not appear.

STARTUP DATE: Enter the month and year you intend to begin recording transactions.

COMPANY ID: Enter the six-character ID for your company.

PASSWORD: Enter a six-letter password if you intend to use the password feature. If you do not want to use it, do not enter anything.

ALPHABETICAL OR NUMERIC ID (A/N)? If you want letter-only customer IDs, enter "A"; enter "N" if you want number-only customer IDs.

NOTE: Once you have answered "Y" to the prompt "Record

this information?" you cannot change your response to these prompts without beginning again with a new data disk.

S

STARTUP MENU

1. Customer Maintenance. Page 187.
2. A/R Configuration. Page 190.
3. A/R Startup Reports. Page 198.
4. Complete Startup Procedures. Page 199.
5. Copy Disks. Page 199.
6. Quit Receivables.

S-1

1. CUSTOMER MAINTENANCE MENU

1. Add a Customer. Page 187.
2. Modify Customer Information. Page 188.
3. Delete a Customer. Page 189.
4. Review Customer Information. Page 189.
5. Return to Startup Menu.

This section allows you to enter customers to the system and change or review existing individual customer information.

S-1-1

1. ADD A CUSTOMER.

USE: To add new customers to Accounts Receivable.

PROCEDURE: Enter the customer ID for the customer (up to six characters), then enter the customer's name (24 characters), first address line (24 characters), second address line (15 characters), city (14 characters), state (two characters), ZIP code

(six characters), phone number (12 characters), status (whether the account is a temporary one and whether it is taxable), credit limit (seven digits, up to $9,999,999) and terms. Enter the number corresponding to the line number (from 1 to 10) for the terms you set up during startup. Enter the correct dollar amount for year-to-date sales (seven digits), year-to-date finance charges (seven digits) and customer balances for each aging period (up to seven digits each).

To return to the Customer Maintenance Menu, press the ESCAPE key while the cursor is at the first entry (or customer ID field).

NOTE: To view all customers currently on file, press the ? key in the first position of the customer ID. To see the existing choice of terms, press the ? key at the terms position. The system will display the terms and line numbers that you have already defined.

Year-to-date sales, year-to-date finance charges and customer balances for each aging period can be entered only during the Startup Procedure.

S-1-2 **2. MODIFY CUSTOMER INFORMATION.**

USE: To change information in the customer file.

PROCEDURE: Enter the customer ID for the customer you want to change. The system will display the information currently stored.

To return to the Customer Maintenance Menu, press the ESCAPE key while the cursor is at the first entry (or customer ID field).

NOTES: To view all customers currently on file, press the ? key in the first position of the customer ID. To see the next ID on file, press CONTROL A; to see the prior ID on file, press CONTROL Z. These keys work only if a customer ID has already been entered. To see the existing choice of terms, press the ? key at the terms position. The system will display the terms and line numbers that you have already defined.

After startup is complete, you will not be able to change the year-to-date sales and finance charges, aging period balances or total balance.

S-1-3 **3. DELETE A CUSTOMER.**

USE: To remove a customer from the system.

PROCEDURE: Enter the customer ID for the customer you want to delete. The system will display the customer's name and entire record and ask you to verify that this is the account you want to delete.

To return to the Customer Maintenance Menu, press the ESCAPE key.

NOTES: To see all customers currently on file, press the ? key in the first position of the customer ID. To see the next ID on file, press CONTROL A; to see the prior ID on file, press CONTROL Z.

Deleted customers are removed immediately from the system only during startup.

S-1-4 **4. REVIEW CUSTOMER INFORMATION.**

USE: To view a customer's current file on the screen.

PROCEDURE: Enter the customer ID for the customer information you want to see.

NOTES: After entering a customer ID, to see the next customer on file, press CONTROL A. To see the prior ID on file, press CONTROL Z. To view all customers on file, press the ? key at the customer ID field.

S-2

2. A/R CONFIGURATION MENU

1. Company Information. Page 190.
2. Hardware Information. Page 191.
3. Sales Accounts. Page 191.
4. Sales Tax Accounts. Page 193.
5. Statement Setup. Page 195.
6. Automatic Invoice Numbering. Page 196.
7. Finance Charge Configuration. Page 196.
8. Posting Configuration. Page 197.
9. Advanced Operating Mode. Page 197.
10. Link/Unlink Receivables. Page 197.
11. Return to Startup Menu.

S-2-1

1. COMPANY INFORMATION.

USE: To enter the company name and mailing address. The company name will appear on all reports, and the company name and address will appear on statements you send to the customer.

PROCEDURE: Enter the company name and address as you

want it to appear: name (up to 24 characters), address line 1 (24 characters), address line 2 (15 characters), city (14 characters), state (two characters) and ZIP code (six characters).

S-2-2 **2. HARDWARE INFORMATION.**

Refer to the section in your *Hardware Booklet* called "Hardware Configuration: Printers."

S-2-3

3. SALES ACCOUNTS

1. Add a Sales Account. Page 191.
2. Modify a Sales Account. Page 192.
3. Delete a Sales Account. Page 192.
4. Return to Configuration Menu.

USE: To enter and maintain the sales accounts to which the invoices will be recorded.

S-2-3-1 **1. ADD A SALES ACCOUNT**

USE: To add new General Ledger sales accounts to which invoices can be recorded.

PROCEDURE: Enter the four-digit account number and the sales category. Specify whether sales tax should be computed on sales recorded to this category. You may enter up to 10 separate sales accounts. If linked to General Ledger, enter the four-digit account number that corresponds to the sales account in your Chart of Accounts.

NOTES: If Accounts Receivable is linked to General Ledger, you will be able to change only the sales category and taxable status. No additional accounts can be added unless they are first added to the General Ledger Chart of Accounts.

S-2-3-2 **2. MODIFY A SALES ACCOUNT**

USE: To change the Sales Category and/or the taxable/non-taxable designation for any of your sales accounts.

PROCEDURE: Enter the line number of the account you want to change. To keep the existing sales category or taxable status simply press RETURN. Enter "Y" to record the information, then press the ESCAPE key to return to the Sales Account Menu. Then press the ESCAPE key again or select option 4 to return to the Configuration Menu.

NOTES: In order to change the Sales Account number, you have to delete it and then use the Add a Sales Account option to re-enter it. If Accounts Receivable is linked to General Ledger, you will be able to change only the sales category and taxable status. No additional accounts can be added unless they are first added in the General Ledger Chart of Accounts. Accounts must be deleted in Accounts Receivable first before they can be deleted in General Ledger.

S-2-3-3 **3. DELETE A SALES ACCOUNT**

USE: To remove a sales account from the system.
PROCEDURE: Enter the line number of the account you want to delete. Press the ESCAPE key to return to the Sales Account Menu and again to return to the Configuration Menu.

NOTES: You may remove sales accounts at any time prior to completing startup.

S-2-4

4. SALES TAX ACCOUNTS

1. Add a Sales Tax Account. Page 193.
2. Modify a Sales Tax Account. Page 194.
3. Delete a Sales Tax Account. Page 194.
4. Return to Configuration Menu.

This section allows you to enter and maintain up to three General Ledger sales tax accounts to which sales tax can be recorded.

S-2-4-1

1. ADD A SALES TAX ACCOUNT

USE: To add new General Ledger sales tax accounts and specify the tax percentage to be computed on sales.

PROCEDURE: Enter the four-digit account number and the description. Specify the tax percentage that will be computed. You may enter up to three separate sales tax accounts. If Accounts Receivable is linked to General Ledger, enter the four-digit account number as entered in your Chart of Accounts. Press the ESCAPE key twice to return to the Configuration Menu or once when the cursor is at the account number field to return to the Sales Tax Accounts Menu.

NOTES: If Accounts Receivable is linked to General Ledger, you will be able to change only the description and tax percentage. No additional accounts can be added unless they are first added in the General Ledger Chart of Accounts. Accounts must be deleted in Accounts Receivable first before they can be deleted in General Ledger. The amount should be entered with percentage points as whole numbers (for example, 1½% = 1.5, not .015).

S-2-4-2 **2. MODIFY A SALES TAX ACCOUNT.**

USE: To change the Description and/or the tax percentage for any of your sales tax accounts.

PROCEDURE: Enter the line number of the account you want to change. To keep the existing sales category or taxable status simply press RETURN. Press the ESCAPE key while the cursor is at the "Modify which line?" prompt to return to the Sales Tax Accounts Menu.

NOTES: In order to change the account number, you first have to delete it and then use the Add a Sales Tax Account option to re-enter it. If Accounts Receivables is linked to General Ledger, you will be able to change only the sales category and taxable status. No additional accounts can be added unless they are first added in the General Ledger Chart of Accounts. Accounts must be deleted in Accounts Receivable first before they can be deleted in General Ledger.

S-2-4-3 **3. DELETE A SALES TAX ACCOUNT.**

USE: To remove a sales tax account from the system.

PROCEDURE:: Enter the line number of the account you want to delete. Press the ESCAPE key to return to the Sales Tax Accounts Menu and again to return to the Configuration Menu.

NOTES: You may remove sales accounts at any time prior to completing startup.

S-2-5

5. STATEMENTS SETUP MENU

1. Preprinted Statements. Page 195.
2. Dunning Notices. Page 195.
3. Terms. Page 196.
4. Return to Configuration Menu.

This section allows you to customize the appearance and contents of your customer statements.

S-2-5-1

1. PREPRINTED STATEMENTS.

USE: To tell the system that you will be using preprinted forms for your statements.

PROCEDURE: Enter "Y" if you will be using preprinted statement forms; otherwise enter "N" and your statements can be printed on plain 8-1/2"-by-11"-inch paper.

NOTES: You may change this option after Startup as is necessary.

S-2-5-2

2. DUNNING NOTICES.

USE: To specify short messages, one for each aging period, to appear on the bottom of your customers' statements.

PROCEDURE: Enter your message on the appropriate line. If you don't want a message to appear, leave the line blank.

NOTES: Which message appears on the statement is determined by the latest aging period for which the customer has a positive balance. The messages can be changed at any time.

S-2-5-3 **3. TERMS.**

USE: To specify up to 10 different terms that can be printed on your customers' statements.

PROCEDURE: Enter the line number that you want to add or change and then enter the terms exactly as you want them to appear on the statement. The first three choices are provided for your convenience. They can be changed if necessary.

S-2-6 **6. AUTOMATIC INVOICE NUMBERING.**

USE: To have your invoices automatically numbered by the system.

PROCEDURE: Enter "Y" if you want the system to automatically increment invoice numbers as you record invoices; otherwise enter "N." The system will record this information if you enter "Y" and you will be returned to the A/R Configuration Menu.

NOTES: You can change the system-generated number when entering invoices. Selecting this feature will limit your invoice numbers to contain only numbers, not alphabetical characters. This option can be changed at any time.

S-2-7 **7. FINANCE CHARGE CONFIGURATION.**

USE: To specify or change the monthly finance charge percentage rate to be added to the past-due balances of those customers selected to receive finance charges.

PROCEDURE: Enter the monthly percentage rate of the finance charge. Select the aging period when finance charges should be applied to outstanding balances.

NOTE: Percentage points should be entered as whole numbers (for example 1½% = 1.5, not .015). This information can be changed as needed.

S-2-8 **8. POSTING CONFIGURATION.**

USE: To specify the reports you want printed during period-close posting.

PROCEDURE: Enter "Y" beside the reports you want printed during posting. Enter "N" beside the reports you do not want printed.

NOTE: You can change your selections at any time. We recommend that all reports be printed until you are thoroughly familiar with the system.

S-2-9 **9. ADVANCED OPERATING MODE.**

USE: To eliminate some of the controls in the system that guard against accidental recording of incorrect information so that processing will go faster.

PROCEDURE: Enter "Y" if you want to run in the advanced date entry mode; otherwise press RETURN to maintain all controls.

S-2-10 **10. LINK/UNLINK RECEIVABLES.**

This option is not available during Startup.

S-3

3. STARTUP REPORTS MENU

1. Customer Master List. Page 198.
2. Customer Reference List. Page 198.
3. A/R Aging Report. Page 198.
4. Return to Startup Menu.

S-3-1

1. CUSTOMER MASTER LIST.

USE: To obtain a listing of your customers in ID order with all the information contained on the Add a Customer entry screen.

PROCEDURE: Choose which group of customers you want to list: all of them, customers with open balances, permanent customers, temporary customers, past-due customers or customers within a specified range. For a range, enter the beginning customer ID and the ending ID. Enter the report date.

S-3-2

2. CUSTOMER REFERENCE LIST.

USE: To obtain a listing of all your customers' names and their IDs in alphabetical order.

PROCEDURE: Enter the report date and whether you want to see the report on the screen or print it on the printer (if your hardware allows this).

S-3-3

3. A/R AGING REPORT

USE: To obtain a listing of all customers with their balances due by aging period.

PROCEDURE: Enter the report date and whether you want to see the report on the screen or print it on the printer (if your hardware allows this).

S-4 **4. COMPLETE STARTUP PROCEDURES.**

USE: To tell the system that you have entered all necessary information and that you are ready to begin recording transactions.

NOTE: Once this option is executed, you will not be able to change customer or aging report balances without entering invoices and debit or credit memos.

At this time, you will be asked to verify, and change if necessary, the six account numbers that must be present in your General Ledger Chart of Accounts. If your Accounts Receivable is linked to General Ledger, you will be allowed to record only account numbers that already exist in your Chart of Accounts. To use an account number in Accounts Receivable that is not on file in the chart of accounts, you must enter the number into the chart through the General Ledger system before proceeding.

S-5 **5. COPY DISKS.**

USE: To create a backup data disk to use if your first data disk is damaged.

S-6 **6. QUIT RECEIVABLES.**

USE: To exit the system.

NOTE: If you have made changes to the Data Disk, the system will ask you if you want to make a backup copy before exiting the system. If you have made changes and not used option 5 to create a backup, this is a good time to make a backup.

Maintenance Procedures

This section covers the operations that you will perform on a daily or weekly basis to enter information into Accounts Receivable.

R

RECEIVABLES MENU

1. Customer Maintenance. Page 200.
2. Record Invoices. Page 203.
3. Record Payments. Page 204.
4. Credit and Debit Memos. Page 204.
5. Finance Charges. Page 206.
6. Void Transactions. Page 207.
7. Issue Statements. Page 209.
8. Journals and Reports. Page 210.
9. Post Receivables. Page 213.
10. A/R Configuration. Page 215.
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12. Quit Receivables.

R-1

CUSTOMER MAINTENANCE MENU

1. Add a Customer. Page 200.
2. Modify Customer Information. Page 201.
3. Delete A Customer. Page 202.
4. Review Customer Information. Page 202.
5. Return to Receivables Menu.

R-1-1

1. ADD A CUSTOMER

This section allows you to enter customers to the system and modify or review existing individual customer information.

USE: To add new customers to Accounts Receivable.

PROCEDURE: Enter the customer ID for the customer (up to six characters), then enter the customer's name (24 characters),

first address line (24 characters), second address line (15 characters), city (14 characters), state (two characters), ZIP code (six characters), phone number (12 characters), status (whether the account is a temporary one and whether it is taxable), credit limit (seven digits, up to $9,999,999) and terms. Enter the number corresponding to the line number (from 1 to 10) for the terms you set up during startup.

To return to the Customer Maintenance Menu, press the ESCAPE key while the cursor is at the first entry (or customer ID field).

NOTE: To see all customers currently on file, press the ? key in the first position of the customer ID. To see the existing choice of terms, press the ? key at the terms position. The system will display the terms and line numbers that you have already defined.

New customers will not have any year-to-date sales, year-to-date finance charges or balances. Old customers' amounts should have been entered during startup, as these fields cannot be changed after startup.

R-1-2 **2. MODIFY CUSTOMER INFORMATION.**

USE: To change information in the customer file.

PROCEDURE: Enter the customer ID for the customer you want to change. The system will display the information currently stored. Make your necessary changes and enter "Y" to accept the information.

To return to the Customer Maintenance Menu, press the ESCAPE key while the cursor is at the customer ID field.

NOTE: To see all customers currently on file, press the ? key in

the first position of the customer ID. To see the next ID on file, press CONTROL A at the customer ID field after any customer's information has been displayed; to see the prior ID on file, press CONTROL Z at the customer ID field. To see the existing choice of terms, press the ? key at the terms position. The system will display the terms and line numbers that you have already defined.

You cannot modify a customer's year-to-date sales, year-to-date finance charges or balances except during startup.

R-1-3 **3. DELETE A CUSTOMER.**

USE: To remove a customer from the system.

PROCEDURE: Enter the customer ID for the customer you want to delete. The system will display the customer's name and entire file and ask you to verify that this is the customer you want to delete.

The customer will be removed during the next month-end posting, provided the customer's balance is zero. If the balance does not equal zero, the customer will not be deleted and you will have to select this option again. If you want a customer removed whenever the balance is zero, designate the customer as temporary in the customer file.

NOTE: To see the next ID on file, press CONTROL A after any customer's information has been displayed; to see the prior ID on file, press CONTROL Z. To see all customers currently on file, press the ? key in the first position of the customer ID.

R-1-4 **4. REVIEW CUSTOMER INFORMATION.**

USE: To view a customer's current file on the screen.

PROCEDURE: Enter the customer ID for the customer you want to review.

NOTE: To see the next ID on file, press CONTROL A after any customer's information has been displayed; to see the prior ID on file, press CONTROL Z. To view all customers currently on file, press the ? key in the first position of the customer ID.

R-2

2. RECORD INVOICES.

USE: To enter sales made "on account by" your customers on file.

PROCEDURE: Enter the customer ID and date (only the day can be entered) for this invoice. If you are using automatic invoice numbering, the invoice number will be generated by the system. If this is your very first invoice, you will have to give the system a number to begin with. Accept the number by pressing RETURN or enter the correct number. Enter the correct dollar amount for each appropriate sales category. Sales tax is automatically calculated but can be changed if necessary.

To return to the Receivables Menu, press the ESCAPE key at the customer ID field.

NOTES: Letters are allowed in invoice numbers only if automatic invoice numbering was not selected during system configuration. You can have invoices with the same number.

Upon returning to the entry screen after the invoice is recorded, you can call up the next customer ID by pressing CONTROL A or the prior ID by pressing CONTROL Z.

R-3

3. RECORD PAYMENTS

USE: To record payments received from customers.

PROCEDURE: Enter the customer ID and date (day) for the payment. Enter the number of the check received and the actual dollar amount of the payment. You can have partial payments. Enter the amount of the discount taken, if any. Pressing RETURN will enter a zero amount.

To return to the Receivables Menu, press the ESCAPE key at the customer ID field.

NOTES: Upon returning to the entry screen after the payment is recorded, you can call up the next customer ID by pressing CONTROL A or the prior ID by pressing CONTROL Z. Payments will be automatically applied to the oldest balance, but, if necessry, you can distribute the payments to different aging periods by entering "N" at the prompt "Record this information?"

R-4

4. CREDIT AND DEBIT MEMOS MENU

1. Record Credit Memos. Page 204.
2. Record Debit Memos. Page 205.
3. Return to Receivables Menu.

This section allows you to enter credit and debit memos.

R-4-1

1. RECORD CREDIT MEMOS.

USE: To reduce a customer's balance for reasons other than payment (for example, a return of merchandise).

PROCEDURE: Enter the customer ID and date (day) for the credit memo. Enter the credit memo number if you do not want to accept the one provided. Press RETURN to accept the one provided automatically. Enter the amount to be credited.

NOTES: Upon returning to the entry screen after the credit memo is recorded, you can call up the next customer ID by pressing CONTROL A or the prior ID by pressing CONTROL Z. Press the ESCAPE key to return to the Credit & Debit Memos Menu. Credits will be automatically applied to the oldest balance, but, if necessary, you can distribute the payments to different aging periods by entering "N" at the prompt "Record this information?"

R-4-2 **2. RECORD DEBIT MEMOS.**

USE: To increase a customer's balance for reasons not covered by invoices (for example, miscellaneous charges).

PROCEDURE: Enter the customer ID and date (day) for the debit memo. Enter the debit memo number if you do not want to accept the one provided. Press RETURN to accept the one provided automatically. Enter the amount to be debited.

NOTES: Upon returning to the entry screen after the debit memo is recorded, you can call up the next customer ID by pressing CONTROL A or the prior ID by pressing CONTROL Z. Press the ESCAPE key to return to the Credit and Debit Menu. Payments will be automatically applied to the oldest balance, but, if necessary, you can distribute the payments to different aging periods by entering "N" at the prompt "Record this information?"

R-5

5. FINANCE CHARGES MENU

1. Record Finance Charges. Page 206.
2. Adjust Finance Charges. Page 206.
3. Removes all Finance Charges. Page 207.
4. Return to Receivables Menu.

This section allows you to record, adjust or remove finance charges in your customer records.

R-5-1 **RECORD FINANCE CHARGES.**

USE: To apply finance charges to customers with overdue balances.

PROCEDURE: Enter "Y" to record finance charges for all eligible customers. Enter "N" to return to the Finance Charges Menu.

NOTES: Only customers selected during Finance Charge Configuration will receive finance charges. Finance charges can be recorded only once a month, as they are recorded to all eligible accounts. To record them a second time during the month, first remove the ones you have already applied.

R-5-2 **2. ADJUST FINANCE CHARGES.**

USE: To adjust the amount of finance charge applied to a customer.

PROCEDURE: Enter the customer ID of the customer whose finance charges you want to adjust. Enter the adjusted finance charge. Enter "Y" to record the charge or "N" to edit the information and use the ESCAPE key to return to the Finance Charges Menu.

R-5-3 **3. REMOVE ALL FINANCE CHARGES.**

USE: To remove all finance charges that have been applied thus far this month.

PROCEDURE: Enter "Y" to remove all charges; otherwise enter "N" and return to the Finance Charges Menu.

NOTE: If charges have not yet been applied, a message will appear telling you so.

R-5-4 **4. RETURN TO RECEIVABLES MENU.**

USE: To exit Finance Charges and return to the Accounts Receivable menu.

R-6

6. VOID TRANSACTIONS MENU

1. Void Invoices. Page 207.
2. Void Payments. Page 208.
3. Void Credit Memos. Page 208.
4. Void Debit Memos. Page 208.
5. Return to Receivables Menu

This section allows you to create reversing entries for transactions made during the current month.

R-6-1 **1. VOID INVOICES.**

USE: To reverse or void any invoice issued during the current month.

PROCEDURE: Enter the invoice number for the invoice you want to void. Verify that this is the correct invoice or conduct a search for a duplicate invoice number if it is not the correct one. next column

Enter "Y" to void or reverse the selected invoice or enter "N" to enter a different invoice number.

Upon returning to the entry screen, enter another invoice number to be voided or press the ESCAPE key to return to the Void Transactions Menu.

R-6-2 **2. VOID PAYMENTS.**

USE: To void a payment made by a customer.

PROCEDURE: Enter the check number for the check you want to void. Verify that this is the correct payment or conduct a search for a duplicate check number if it is not the correct one. Enter "Y" to void or reverse the selected payment or enter "N" to enter a different check number.

Upon returning to the entry screen, enter another check number to be voided or press the ESCAPE key to return to the Void Transactions Menu.

R-6-3 **3. VOID CREDIT MEMOS.**

USE: To void a previously issued credit memo.

PROCEDURE: Enter the credit memo number. Verify that this is the correct memo by entering "Y," or search for a duplicate credit memo number. Enter "Y" to void the credit memo or "N" to enter a different number. Press the ESCAPE key to return to the Void Transactions Menu.

R-6-4 **4. VOID DEBIT MEMOS.**

USE: To void a previously issued debit memo.

PROCEDURE: Enter the debit memo number. Verify that this is the correct memo by entering "Y," or search for a duplicate debit memo number. Enter "Y" to void the debit memo or "N" to enter a different number. Press the ESCAPE key to return to the Void Transactions Menu.

R-7 **7. ISSUE STATEMENTS.**

USE: To produce customer statements.

PROCEDURE: From the Statements Menu, select the group of customers whose statements you want to print. You may choose: all customers, customers with open balances, permanent customers, temporary customers, past-due customers or customers within a specific range.

For a range of customers, enter the first customer ID and then the last customer ID you want to include in the range. If you want to issue a statement for just one customer, accept the default value for the last customer ID by pressing RETURN. Verify the information.

Enter the date (day) you want to appear on the statements.

Use the ESCAPE key to return to the Receivables Menu.

R-8

8. JOURNALS AND REPORTS

1. Customer Master List. Page 210.
2. Detailed A/R Ledger. Page 210.
3. Receivables Summary. Page 211.
4. Sales Journal. Page 211.
5. Payments Journal. Page 211.
6. Finance Charges Journal. Page 212.
7. A/R Aging Report. Page 212.
8. Customer Reference List. Page 212.
9. Mailing Labels. Page 213.
10. Return to Receivables Menu.

USE: To print any journal or report for the current month or previous months.

R-8-1 **1. CUSTOMER MASTER LIST.**

USE: To obtain a listing of your customers in ID order with all the information contained on the Add a Customer entry screen.

PROCEDURE: Choose which group of customers you want to list: all customers, customers with open balances, permanent customers, temporary customers, past-due customers or customers within a specific range. For a range, enter the beginning customer ID and the ending ID. Enter the report date.

You may interrupt a report by pressing the ESCAPE key.

R-8-2 **2. DETAILED A/R LEDGER.**

USE: To obtain a listing by customer of their Accounts Receivable activity by aging period.

PROCEDURE: Choose which group of customers you want to list: all customers, customers with open balances, permanent customers, temporary customers, past-due customers or customers within a specific range. For a range, enter the beginning customer ID and the ending ID. Enter the report date.

You may interrupt a report by pressing the ESCAPE key.

R-8-3 **3. RECEIVABLES SUMMARY.**

USE: To obtain a summary report of the debits and credits made to the various general ledger accounts.

PROCEDURE: Enter the report date.

You may interrupt a report by pressing the ESCAPE key. Depending on your computer model, you may choose to display the report on screen or printer.

R-8-4 **4. SALES JOURNAL.**

USE: To obtain a listing of all invoices and debit memos for the current month, listed in the order in which they were entered.

PROCEDURE: Enter the report date.

You may interrupt a report by pressing the ESCAPE key. Depending on your computer model, you may choose to display the report on screen or printer.

R-8-5 **5. PAYMENTS JOURNAL.**

USE: To obtain a detailed listing of each payment made during the current month, listed in entry order.

PROCEDURE: Enter the report date.

You may interrupt a report by pressing the ESCAPE key. Depending on your computer model, you may choose to display the report on screen or printer.

R-8-6 **6. FINANCE CHARGES JOURNAL.**

USE: To obtain a detailed listing of finance charges and the balances to which they are applied for each customer, listed in ID order.

PROCEDURE: Enter the report date.

You may interrupt a report by pressing the ESCAPE key. Depending on your computer model, you may choose to display the report on screen or printer.

R-8-7 **7. A/R AGING REPORT.**

USE: To obtain a listing of all customers with their balances due by aging period.

PROCEDURE: Enter the report date.

You may interrupt a report by pressing the ESCAPE key. Depending on your computer model, you may choose to display the report on screen or printer.

R-8-8 **8. CUSTOMER REFERENCE LIST.**

USE: To obtain a listing of all your customers and their IDs in alphabetical order.

PROCEDURE: Enter the report date.

You may interrupt a report by pressing the ESCAPE key.

R-8-9 **9. MAILING LABELS.**

USE: To print mailing labels for the customers you select.

PROCEDURE: Choose which group of customers you want to list: all customers, customers with open balances, permanent customers, temporary customers, past-due customers or customers within a specific range. For a range, enter the beginning customer ID and the ending ID. If you need to print a sample label to check for proper alignment, do so by entering "Y"; otherwise enter "N" to begin printing labels.

You may interrupt the printing by pressing the ESCAPE key.

R-9

9. POST RECEIVABLES MENU

1. Mid-Month Posting. Page 213.
2. Month End Posting. Page 214.
3. Year End Posting. Page 214.
4. Return to Receivables Menu.

USE: To close your books for the current month and open them for the new month. If Accounts Receivable is linked to General Ledger, its information will be posted automatically to the appropriate General Ledger accounts.

R-9-1 **1. MID-MONTH POSTING.**

USE: To post receivables in the middle of the month, usually because your data disk is getting full.

PROCEDURE: Enter the date (day) of the posting. If you want to continue with the posting process, enter "Y" at the "Post A/R at this time?" prompt. Otherwise enter "N" and return to the Post Receivables Menu.

NOTES: Finance charges should not be applied prior to mid-month posting. If they have been, remove them.

Press the ESCAPE key to stop printing of the posting reports. You may then resume printing, beginning with the report that was interrupted, or you can reprint all your reports. Either way, the posting reports will be printed!
Do not disrupt the disks while processing.

R-9-2 **2. MONTH-END POSTING.**

USE: To close your books at the end of the month and prepare them for the next.

PROCEDURE: Make sure your finance charges have been applied, if applicable. Create a backup copy of your Accounts Receivable Data Disk prior to posting. To begin posting, enter "Y" at the "Post A/R at this time?" prompt. Otherwise enter "N" and return to the Post Receivables Menu.

NOTES: Press the ESCAPE key to stop printing of the posting reports. You may then resume printing, beginning with the report that was interrupted, or you can reprint all your reports. Either way, the reports will be printed. When printing is done, the system returns to the Receivables Menu. Have your General Ledger data disk ready if your modules are linked.

R-9-3 **3. YEAR-END POSTING.**

USE: To close your books at the end of the year and prepare them for the next.

PROCEDURE: Make sure your finance charges have been applied, if applicable. Create a backup copy of your Accounts Receivable Data Disk prior to posting. To begin posting, enter "Y" at the "Post A/R at this time?" prompt. Otherwise enter "N" and return to the Post Receivables Menu.

NOTES: Select year-end posting at your fiscal year end only. Press the ESCAPE key to stop printing of the posting reports. You may then resume printing, beginning with the report that was interrupted, or you can reprint all your reports. Either way, the reports will be printed. When printing is done, the system will return to the Receivables Menu. Have your General Ledger data disk ready if your modules are linked.

R-10

10. A/R CONFIGURATION MENU

1. Company Information.	Page 216.
2. Hardware Information.	Page 216.
3. Sales Accounts.	Page 216.
4. Sales Tax Accounts.	Page 218.
5. Statement Setup.	Page 219.
6. Automatic Invoice Numbering.	Page 220.
7. Finance Charge Configuration.	Page 221.
8. Posting Configuration.	Page 221.
9. Advanced Operating Mode.	Page 221.
10. Link/Unlink Receivables.	Page 222.
11. Return to Receivables Menu.	

R-10-1 **1. COMPANY INFORMATION.**

USE: To enter the company name and mailing address. The company name will appear on all reports, and the company name and address will appear on statements you send to the customer. At this point, the company and address that you entered during startup will be displayed and changes can be made.
PROCEDURE: Enter the company name and address as you want it to appear.

R-10-2 **2. HARDWARE INFORMATION.**

Refer to the section "Hardware Configuration: Printers" in your *Hardware Booklet.*

R-10-3

3. SALES ACCOUNTS

1. Add a Sales Account. Page 216.
2. Modify a Sales Account. Page 217.
3. Delete a Sales Account. Page 217.
4. Return to Configuration.

This section allows you to enter and maintain the sales accounts to which the invoices will be recorded.

R-10-3-1 **1. ADD A SALES ACCOUNT.**

USE: To add new General Ledger sales accounts to which invoices can be recorded.

PROCEDURE: Enter the four-digit account number and the sales category. Specify whether sales tax should be computed on invoices containing this category. You may enter up to 10

separate sales accounts. If Accounts Receivable is linked to General Ledger, enter the four-digit account number as entered in your Chart of Accounts.

NOTES: If Accounts Receivable is linked to General Ledger, you will be able to change only the sales category and taxable status. No additional accounts can be added unless they are first added in the General Ledger Chart of Accounts. Accounts must be deleted in Accounts Receivable first before they are deleted in General Ledger.

R-10-3-2 **2. MODIFY A SALES ACCOUNT.**

USE: To change the Sales Category and/or the taxable/non-taxable designation for any of your sales accounts.

PROCEDURE: Enter the line number of the account you want to change. To keep the existing sales category or taxable status simply press RETURN.

NOTES: In order to change the account number, you have to delete it and use the Add a Sales Account option to re-enter it. If Accounts Receivable is linked to General Ledger, you will be able to change only the sales category and taxable status. No additional accounts can be added or deleted unless they are first added or deleted in the General Ledger Chart of Accounts.

R-10-3-3 **3. DELETE A SALES ACCOUNT.**

USE: To remove a sales account from the system.

PROCEDURE: Enter the line number of the account you want to delete. Press the ESCAPE key to return to the Sales Accounts Menu.

NOTES: You may remove sales accounts at any time prior to

completing startup. After that, sales accounts can be removed only immediately after month-end posting.

R-10-4

4. SALES TAX ACCOUNTS

1. Add a Sales Tax Account. Page 218.
2. Modify a Sales Tax Account. Page 218.
3. Delete a Sales Tax Account. Page 219.
4. Return to Configuration Menu.

This section allows you to enter and maintain up to three General Ledger sales tax accounts to which sales tax may be recorded.

R-10-4-1

1. ADD A SALES TAX ACCOUNT.

USE: To add new General Ledger sales tax accounts and specify the tax percentage to be computed on sales.

PROCEDURE: Enter the four-digit account number and the description. Specify the tax percentage that will be computed. You may enter up to three separate sales tax accounts. If Accounts Receivable is linked to General Ledger, enter the four-digit account number as entered in your Chart of Accounts.

NOTES: If Accounts Receivable is linked to General Ledger, you will be able to change only the description and tax percentage. No additional accounts can be added or deleted unless they are first added or deleted in the General Ledger Chart of Accounts. Percentage points should be entered as whole numbers (for example, 1½% = 1.5 not .015).

R-10-4-2

2. MODIFY A SALES TAX ACCOUNT.

USE: To change the description and/or the tax percentage for any sales accounts.

PROCEDURE: Enter the line number of the account you want to change. To keep the existing sales category or taxable status simply press RETURN.

NOTES: In order to change the account number, you have to delete it and then add the correct number through the appropriate option. If Accounts Receivable is linked to General Ledger, you will be able to change only the sales category and taxable status. No additional accounts may bets can be added or deleted unless they are first added or deleted in the General Ledger Chart of Accounts.

R-10-4-3

3. DELETE A SALES TAX ACCOUNT.

USE: To remove a sales tax account from the system.

PROCEDURE: Enter the line number of the account you want to delete.

NOTES: You may remove sales accounts at any time before completing startup. After that, sales tax accounts can be removed only immediately after month-end posting.

R-10-5

5. STATEMENTS SETUP MENU

1. Preprinting Statements. Page 220.
2. Dunning Notices. Page 220.
3. Terms. Page 220.
4. Return to Configuration.

This section allows you to customize the appearance and contents of your customer statements.

R-10-5-1 **1. PREPRINTING STATEMENTS.**

USE: To tell the system that you will be using preprinted forms for you statements.

PROCEDURE: Enter "Y" if you will be using preprinted statement forms; otherwise, enter "N" and your statements can be printed on plain 8-1/2-by-11-inch paper.

NOTE: You can change this option at any time.

R-10-5-2 **2. DUNNING NOTICES.**

USE: To specify short messages, one for each aging period, to appear on the bottom of your customers' statements.

PROCEDURE: Enter your message on the appropriate line. If you don't want a message to appear, leave the line blank.

NOTES: Which message appears on the statement is determined by the latest aging period for which the customer has a positive balance. The messages can be changed at any time.

R-10-5-3 **3. TERMS**

USE: To specify up to 10 different terms that can be printed on your customers' statements.

PROCEDURE: Enter the line number that you want to add or change and then enter the terms exactly as you want them to appear on the statement. The first three choices are provided for your convenience.

R-10-6 **6. AUTOMATIC INVOICE NUMBERING.**

USE: To have your invoices automatically numbered by the system.

PROCEDURE: Enter "Y" if you want the system to automatically increment invoice numbers as you record invoices.

NOTES: You can change the system-generated number when entering invoices. Selecting this feature will limit your invoice numbers to consist only of numbers. This option can be changed at any time.

R-10-7 **7. FINANCE CHARGE CONFIGURATION.**

USE: To specify or change the monthly finance charge percentage rate to be added to the past-due balances of those customers selected to receive finance charges during Customer Maintenance.

PROCEDURE: Enter the monthly percentage rate of the finance charge. Select the aging period when finance charges should be applied to outstanding balances.

NOTE: Percentage points should be entered as whole numbers (for example, 1½% = 1.5 not .015). This information can be changed as needed.

R-10-8 **8. POSTING CONFIGURATION.**

USE: To specify the reports you want printed during period-close posting.

PROCEDURE: Enter "Y" beside the reports you want printed during posting. Enter "N" beside the reports you do not want printed.

NOTE: Your choices can be changed at any time.

R-10-9 **9. ADVANCED OPERATING MODE.**

USE: To eliminate some of the controls in the system that guard against accidental recording of incorrect information so that processing will go faster.

PROCEDURE: Enter "Y" if you want to run in the advanced data entry mode.

R-10-10 **10. LINK/UNLINK RECEIVABLES.**

USE: To link or unlink your Accounts Receivable module to the General Ledger module to allow for automatic transfer of your Accounts Receivable information to General Ledger at posting time.

PROCEDURE: Enter "Y" if you want to link the modules and then follow the prompts on the screen. Enter "N" to discontinue the process and return to the A/R Configuration Menu.

Notes: Linking or unlinking can only be done if:

1. The General Ledger and Accounts Receivable data disks are in the same month.

2. No transactions have been entered into Accounts Receivable in the current month.

3. You have not already done a mid-month posting of Accounts Receivables.

R-11 **11. COPY DISKS.**

USE: To make backup copies of your data disks.

PROCEDURE: With a blank disk at hand, follow the screen prompts.

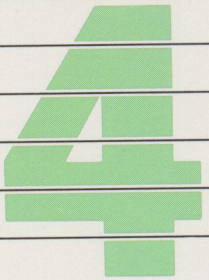
R-12

12. QUIT RECEIVABLES.
USE: To exit the system.

NOTE: If you have made changes to the data disk, the system will ask you if you want to make a backup copy before leaving. If you have made changes and not used the Copy Disks option to create a backup, this is a good time to make a backup.

RCA
Electron Tube
17GT3
9KX6
21LR8
ZENITH
Consumer Electronics
ox 4629
ta, GA 30302
RCA Distributing
1500 Marietta Blvd
Telephone 404/355-2
Terms: 2% 10th
Wholesal
4430-H BANK
Wholesale Industrial Electronic
4430-H BANKERS CIRCLE N.E. • ATLANTA
SCOTT TV & STEREO
2964 PEACHTREE RD
ATLANTA GA 30305
Pay to the Order of RCA Electronics 11-15 1984 $79.85 Dollars
Seventy-nine dollars 85/
Jim Scott
MEMORY STUB
OTT TV & STEREO
64 PEACHTREE RD
LANTA GA 30305
Zenith
inety-three do
15 1984

Accounts Payable



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259 Startup Planning
262 Recommended Startup Sequence
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In this section you will learn about the Back to Basics Accounts Payable module—what planning you need to do before you start, how to set up the system and how to use it on a day-by-day basis. If you have already installed the Accounts Receivable module, you will see that many of the startup procedures are similar.

To illustrate these steps, we will look at Jim and Vera Scott and their new company, Scott's TV & Stereo. It is a sales and service company, and the Scotts are using the Back to Basics Accounting System to help them with their bookkeeping. To acquaint yourself with the procedures and reports used in the Back to Basics Accounts Payable module, you can make the same entries on your computer that Jim and Vera make on theirs.

Planning the installation

Before installing the Back to Basics Accounts Payable module, make sure the decisions you will make during the installation are the best ones for your company. These include whether or not you want to link Accounts Payables to General Ledger (if you have it), whether or not to use certain options available in the system and how to tailor the system to meet your needs.

Jim and Vera have given much thought to their business accounting needs and how this affects their bookkeeping system. The Scotts have made a list of all the suppliers and regular creditors with whom they will establish an ongoing business relationship. They have gathered the following information for each of their suppliers: name, address, phone number, the terms of the Scotts' account (amount of early payment discount and when payment is due). If all of these suppliers were not new, then the Scotts would have also needed to note their year-to-date purchases and all open transactions, such as outstanding invoices, credit memos and debit memos.

The Scotts decide to split up the Accounts Payable responsibilities. Vera will do all the Startup Procedures, and Jim will do the daily processing for the month of November. They both agree to split up the normal processing responsibilities after the first month.

To get started, Vera decides to use alphabetical vendor IDs as opposed to numeric vendor IDs consisting only of numbers. If she had chosen to use numeric IDs, then those IDs with fewer than six digits would be preceded by zeros. Vera has assigned a unique ID for each vendor. After reviewing the Accounts Payable Reference Guide, Vera has at hand the minimum three account numbers and names she will need to enter during installation, as well as a good idea of the decisions they will need to make. They begin the installation.

Startup Procedures

Vera turns to the "General Procedures" section of the Hardware Booklet for a discussion of how to operate the system on the Scotts' particular computer. She also carefully reads the instructions on loading the system for the first time. Following the instructions, she begins loading the Payables module.

The first question the program asks is whether or not she has created her Accounts Payable data disk. Since this is the first time she has started the system, she enters "N" for no. Throughout the startup procedures and also during the daily processing, remember that after making the appropriate response to each prompt you must press the RETURN key to tell the Back to Basics system to accept your response.

Vera has two blank disks and all of her current vendor information prepared, so she continues to the next question. Vera enters "Y" at the prompt "Integrate with G/L?" since she is planning

to use all three modules of the Back to Basics Accounting System. If she did not want to integrate them, she could have entered "N." If Jim and Vera decide at some time in the future that they do not want the Payables module integrated with the Ledger, they will be able to unlink (and relink) the modules after the initial installation has been completed.

If they had decided not to integrate the modules, it would have been necessary to enter the following three items. With integrated modules, the system retrieves this information from the General Ledger data disk they have already set up.

DISK DRIVE TYPE. If necessary, Vera would select the appropriate option for the type of disk drives on her computer. If this question appears on your system (not all computers have this question), you should refer to your Hardware Booklet and make the appropriate reply.

STARTUP DATE. Vera would now enter the startup date. This is the month the program will use as a starting point for processing, and from then on the system will automatically increment the month and year during month-end posting. As mentioned above, the Scotts are starting their business in the first week of November 1984, so Vera enters "11/84."

COMPANY ID. After entering the startup date, Vera would have to enter the Scotts' six-character company ID, "SCOTTS."

It is important to remember that the Company ID must be exactly the same for all three modules if you intend to integrate them in the future.

PASSWORD. Next the program asks Vera to enter a password. She decides not to use a password and presses the RETURN key to leave this field blank. Had she wanted to use the password feature, she would have entered a six-letter code that she could remember easily and then pressed the RETURN key.

ALPHABETICAL OR NUMERIC ID. Having previously decided to use alphabetical vendor IDs, Vera enters "A" to elect to use IDs consisting only of letters. She would have entered "N" if she had wanted IDs consisting only of numbers.

Finally, the question "Record this information (Y/N)?" appears. Mentally reviewing her responses to the questions, she replies "Y." Had she harbored any doubts, or if she just wanted to review her answers, she could have replied "N" and, using the ESCAPE key, stepped backward through the questions. If she discovered any changes she wanted to make, she could make them as the questions reappeared. To go forward, she could press the RETURN key until she came back to this question.

Following the intructions that now appear on the screen, Vera removes her Accounts Payable program disk from the first drive, inserts her General Ledger data disk and presses the RETURN key. The system will copy the disk drive configuration and the company ID from the Ledger data disk. It will use the current

Ledger processing month as the starting point for Accounts Payable processing.

Continuing, she labels a blank disk, inserts it in her second disk drive and presses the RETURN key. (If a disk containing old information is used, the program asks if you want to use this disk. Be careful, as any information you have on the disk will be erased if you proceed. You may also read about this procedure in your *Hardware Booklet* under "Create A/P Data Disk.")

Note: If Jim and Vera had not linked their modules, the procedure of inserting the General Ledger data disk would not have been applicable.

After the program finishes writing the initial information onto the data disk, it displays the Startup Menu:

Back to Basics Payables Module

```
STARTUP MENU
1. Vendor Maintenance.
2. Record Open Transactions.
3. Void Transactions.
4. A/P Configuration.
5. A/P Startup Reports.
6. Complete Startup Procedures.
7. Copy Disks.
8. Quit Payables.
```

The Startup Menu

Vera now begins the main section of the Startup Procedures. At this point she can select the steps she needs to complete in order to set up Accounts Payable. The procedures that Vera

follows are listed in the section "Recommended Startup Sequence" in the Accounts Payables Reference Guide. The appropriate step at this point is to configure the system by selecting option 4, A/P Configuration, from the Startup Menu. The system reminds her to remove the General Ledger data disk and reinsert the Payables program disk before continuing.

Payables Module

A/P CONFIGURATION MENU

1. Company Name.
2. Hardware Information.
3. Payables Chart of Accounts.
4. Cash Accounts.
5. Vendor Terms.
6. Posting Configuration.
7. Advanced Operating Mode.
8. Link/Unlink Payables.
9. Return to Startup Menu.

Vera decides to follow the sequence as it appears on the screen so she won't forget to address any of these options before she leaves the configuration menu.

COMPANY NAME. The program asks Vera to enter her company name as she wants it to appear on all the Payables reports. Since she has already elected to link the modules, she reconfirms their company name (Scott's TV & Stereo) by pressing the RETURN key. Had she not integrated the systems, she could enter a name of up to 30 characters. After recording this information, the system returns to the A/P Configuration Menu.

HARDWARE INFORMATION. To tell the program about her printer, Vera selects the Hardware Information option (number 2). At this point, she refers to the section "Hardware Configuration: Printers" in the *Hardware Booklet* to learn the appropriate responses to the questions displayed.

After recording the information about their printer, she returns to the Configuration Menu.

PAYABLES CHART OF ACCOUNTS. Vera notes that she has the option to add, modify or delete accounts. Because she wants the Payables module to be integrated with the Ledger module, she inspects her General Ledger Chart of Accounts and chooses the Payables-related accounts she will need to complete this integration. With her list of accounts at hand, she chooses option 1, Add Accounts.

The system instructs her to remove the Payables program disk and reinsert the Ledger data disk in the drive. After she does this and presses the RETURN key, the following information is displayed:

Add Accounts

NUMBER	NAME
....	.....
....	.....
....	.....

1000-1999 Assets
2000-2999 Liabilities

3000-3999 Equity
4000-4999 Rev. & Cost of Sales
5000-9999 Expenses

Vera's Payables Chart of Accounts list is as follows:

Acct #	Account Name
1000	Cash in Bank
1200	Inv—TV & Stereo
1210	Inv—Records & Tapes
1220	Inv—Misc. Hardware
1500	Furniture & Fixtures
1520	Machinery & Equipment
2000	Accounts Payable
4540	Purchase Discounts
5100	Advertising
5490	Late Charges
5580	Miscellaneous Expense

If Vera enters an account number and presses the RETURN key, the above account names appear automatically if they are already in the standard Chart of Accounts. An arrow below the "Add Account" line shows which balance sheet or income statement account ranges are being addressed. Vera does not need to modify or delete any accounts since she is entering them for the first time. If she wants to add, modify or delete accounts later on she will have the ability to do so on the Payables Menu, after the Startup Procedures are completed. Vera may enter up to 10 accounts before typing "END" and recording the information to her data disk. She then presses the ESCAPE key to return to the Configuration Menu. Since new information has been added to the Ledger data disk, the system recommends making a backup copy.

CASH ACCOUNTS. Next Vera chooses option 4, Cash Accounts, to tell the system which accounts from the General Ledger Standard Chart of Accounts are to be designated as the Cash accounts. Payments to vendors will be credits to these accounts. If the Scotts did not plan to integrate Payables and Ledger, Vera would have to designate the Cash accounts from the Payables Chart of Accounts, which she just entered in the previous section. After consulting the Accounts Payable Reference Guide, Vera learns that she can enter up to three Cash accounts in this section.

She consults the A/P Chart of Accounts, enters "1000" and presses the RETURN key. "Cash in Bank" appears automatically on the screen because it was already entered in the A/P Chart of Accounts option. If Vera had entered an account number that was not in the A/P Chart of Accounts or the Cash accounts range (1000-1999), the system would not accept that account number. Now that Vera is finished with this section, she types "END" and then records the information. She then presses the ESCAPE key and returns to the Configuration Menu.

VENDOR TERMS. This section is particularly important to the Scotts. By keeping track of which vendors offer early payment discounts, Jim and Vera will be able to manage their cash flow better and, they hope, save some money in the process. The Scotts plan to sell RCA and Zenith televisions. They will be buying their televisions through local authorized manufacturers' distributors. The distributor for RCA is Capital Distribution Company, and the distributor for Zenith products is Southern Sales Inc. Both distributors will give the Scotts terms of "2%-10 Net 30"—a discount of 2 percent if they pay the

invoices within 10 days of receipt, otherwise the full amount of the invoice within 30 days of receipt.

There are three default vendor terms already set up in the Vendor Terms section. Vera enters "1" on the Reference line and notes the "Net 30" term without a discount is displayed. She can accept the information as it is by pressing the ESCAPE key. Otherwise she could go through line by line and put in new information. Next she enters "2" on the Reference line and notes that the terms "Net End of Month" are displayed. She accepts this information also. Finally, she enters "3" on the Reference line and notes the "2%-10 Net 30" terms. She and Jim will use this one for the RCA and Zenith purchases. She also accepts this information and then presses the ESCAPE key to return to the Configuration Menu.

If other vendors are added after the Startup Procedures who don't have one of the above three vendor terms, Vera will have the opportunity to enter these in the A/P Configuration Menu on the main Payables Menu.

POSTING CONFIGURATION. Vera selects option 6, Posting Configuration. She decides to print all four of the system's journals during the monthly posting procedure. So she enters "Y" for each of these four reports, starting with the Purchases Journal and ending with the Payables Detailed G/L. After she records this information, she returns to the A/P Configuration Menu.

ADVANCED OPERATING MODE. Vera selects option 7,

Advanced Operating Mode, but decides not to use the advanced mode option because she is still learning the system and needs all the on-screen help she can get. After the Startup Procedures, Vera can elect to use the Advanced Operating Mode from the Payables Menu. She answers "N" to the "Use Advanced Mode" prompt and returns to the Configuration Menu.

LINK/UNLINK ACCOUNTS PAYABLE. This option of the Configuration Menu is not available during Startup. However, Jim and Vera will have the ability to unlink (and relink) the Payables and Ledger modules after the Startup Procedures are complete.

Vera is now finished with all the options on the Configuration Menu, so she returns to the Startup Menu by selecting the last option (number 9) or by pressing the ESCAPE key.

Now Vera must address the first three options. She selects option 1, Vendor Maintenance.

Vendor Maintenance

From the Vendor Maintenance Menu, Vera selects Add a Vendor (option 1) and sees the following information:

ADD A VENDOR

VENDOR ID: . . . . .
VENDOR NAME:
ADDRESS:
ADDRESS:

CITY: STATE:
ZIP: PHONE:
TEMPORARY (Y/N)?
CASH ACCOUNT:
TERMS:
PURCHASES Y.T.D.: $
CURRENT BALANCE: $0.00

	DATE	AMOUNT
LAST PAYMENT:	N/A	N/A
LAST PURCHASE:	N/A	N/A

First she enters the RCA information. She may enter up to six characters as the vendor ID, so she types "RCA" as the vendor ID, "Capital Distribution" as the vendor name, "125 Ivy Street" and "Atlanta, GA 30320" as the address fields and "404/555-9200" as the phone number. She responds "N" to the "Temporary" question by pressing the RETURN key to accept the default, and she presses the RETURN key on the Cash Account line to accept the default "Cash in Bank" account number, 1000. Under the Terms prompt, she replaces the default number "1" with "3" by typing over the 1. She presses the RETURN key twice and then records her entries.

Then she enters the Zenith information. She chooses the letters "Zenith" as the vendor ID, "Southern Sales Inc." as the vendor name, "2901 Lenox Road" and "Norcross, GA 30093" as the address fields and "404/555-7700" as the phone number. She presses the RETURN key until she comes to the Terms field. As with the RCA account, she enters "3" on the Terms prompt and then she continues through the next two questions and records the information.

After she presses the ESCAPE key to return to the Vendor Maintenance Menu, Vera chooses option 4, Review Vendor Information, to make sure she has everything entered correctly. After entering "RCA" for the vendor ID and reviewing the Capital Distribution account, she presses CONTROL A to view the Southern Sales account. Vera could have also simply typed "Z" over the "R" on the Vendor ID line to review the Zenith information.

Vera returns to the Startup Menu and takes a quick look at options 2 (Record Open Transactions) and 3 (Void Transactions).

RECORD OPEN TRANSACTIONS. Since the Scotts do not have any transactions to record yet, Vera inspects the entry screen and then moves on to option 3.

VOID TRANSACTIONS. Since Vera has not entered any transactions yet, there is nothing she can delete at this point. Again, she views the entry screen and moves on to option 5 on the Startup Menu.

A/P Startup Reports

Vera notes that she has the following four options on this menu: Vendor Master List, Vendor Reference List, Open Invoice Register and Payables Chart of Accounts. After consulting the Reference Guide to see what these options do, she decides that she wants to look at all of the vendors from the Vendor Master List and print her Payables Chart of Accounts. After choosing the Vendor Master List and "all" option, she prints her information on RCA and Zenith.

She decides to skip the Vendor Reference List, which provides only the vendor ID and vendor names, and also the Open Invoice Register, because she has not entered any invoices yet. Next she prints the Payables Chart of Accounts to make sure it coincides with the Standard Chart of Accounts in her General Ledger module. If she had not integrated the Payables and Ledger modules, this would be her opportunity to print the Accounts Payable Chart of Accounts, which she created in the configuration section.

Complete Startup Procedures

The Startup Procedures are almost finished. Now that Vera has entered all of the preliminary information, she chooses the Complete Startup Procedures option (6) on the Startup Menu. A special note is displayed telling Vera not to proceed unless her vendors and transactions have been entered correctly and that her Payables Chart of Accounts contains at least the following accounts:

Accounts Payable	2000-2999
Purchase Discounts	4000-4999

Vera has met these two qualifications, so she presses the RETURN key. Since Vera has linked the Payables and Ledger modules, the system will once again tell her to insert her General Ledger data disk in the proper drive. The next screen will display the date that Payables will be linked to General Ledger. The next two screens are for Vera to confirm the two accounts that are required by the system: Accounts Payable and Purchase Discounts. Vera confirms that these accounts exist in their proper ranges and then types "Y" to continue.

After noting the warning information on the screen, she confirms that her zero balances are correct by entering "Y" again and then presses the RETURN key.

Next the system asks Vera to remove her General Ledger data disk and reinsert her Accounts Payable program disk. The program then tells Vera to remove the A/P program disk from the first drive and insert a blank disk, to be labeled "A/P Startup," in the vacated drive. She does this and then presses the RETURN key. The program displays a reminder to make a backup A/P data disk and G/L data disk at this time. She reinserts the A/P program disk and presses the RETURN key again. The Payables Menu appears on the screen.

Taking the advice of the Back to Basics Accounting System, Vera decides to make a backup copy of her data disk now. From the Payables Menu, she selects option 9, Copy Disks. She removes the program disk, inserts a blank disk in the drive and presses the RETURN key. While the disk is being copied, Vera prepares a label for the copied disk entitled "Accounts Payable Backup Data 11/01/84." She does not wish to copy another disk, so she enters "N" at the prompt "Do You Wish to Copy Another Disk?" prompt. After changing disks, the Payables Menu reappears.

Vera has now completed her responsibilities. She exits the Back to Basics Accounts Payable module by selecting option 10, Quit Payables. At this point, she removes the disks, applies the label to the backup data disk and turns them over to Jim.

Daily Processing

This section will cover the features of the day-to-day use of the Back to Basics Accounts Payable module. Now that you and Vera have completed the Startup Procedures, the Startup Menu will not appear on the screen when you reload your system. Instead, everything that you and the Scotts now do will be from the Payables Menu, the main daily processing menu of the Payables module. In this section you will learn how to record invoices, make credit and debit memos, update your vendor

files, make payments to suppliers, utilize the Payables journals and reports and post Payables to the General Ledger module.

To illustrate, we will now review the typical entries and procedures that the Scotts use during the month of November 1984. The Scotts are starting their first month of operation, and Jim has agreed to run the Back to Basics Payables module during the month. He has at hand the two startup reports that Vera printed earlier.

PAYABLES MENU

1. Vendor Maintenance.
2. Record Invoices.
3. Credit and Debit Memos.
4. Payments.
5. Void Transactions.
6. Journals and Reports.
7. Post Payables.
8. A/P Configuration.
9. Copy Disks.
10. Quit Payables.

It is important to note, as Jim begins the daily processing, that he will not necessarily address the menu options sequentially every time he turns on the computer. Rather, he will utilize those options that relate to the specific accounting transaction that he wants to record in the system.

RECORD INVOICES. The date is November 1, 1984, and Jim

has just ordered 10 RCA model 4AB11 12-inch color televisions at a wholesale unit cost of $197.50. He also ordered 10 RCA model 4AB5 12-inch black-and-white TVs at $65.20 per unit. The distributor agrees to send them over the same day and also convinces the Scotts to buy an RCA promotional window display and counter mat kit for $30.00.

Jim chooses option 2, Record Invoices. By entering in the "RCA" ID, the system automatically displays the vendor name and invoice date. Jim was given the invoice number 5660 over the phone by the Capital Distribution representative, so he enters "5660" on the Invoice # line and continues. Given the 30-day terms that Vera has already entered into the system, the due date of 12/01/84 is displayed on the screen automatically. Jim next enters "2657," which is the total, $2,657.00, for 10 color sets at $197.50 ($1,975.00), 10 black-and-white sets at $65.20 ($652.00) and $30.00 in promotional costs. After pressing the RETURN key twice, the early payment discount automatically appears as $53.14, and the discount due date appears as 11/11/84, which reflects the 2%-10 net 30 terms that Vera set up earlier.

During daily processing with the Payables module, Jim will not need to enter the specific debits and credits to the Accounts Payable account for each transaction. This part of the transaction is performed automatically by the system. Consulting the Chart of Accounts that Vera printed at the close of the Startup Procedures, Jim notes that the inventory account is 1200. He enters "1200" and presses the RETURN key to bring up the information "Inv—TV & Stereo" and $2,657.00. Jim enters the figure "2627" over the default amount because he intends to record the $30.00 promotional kit separately. On the next line he enters "5580" for the "Miscellaneous Expense" account number, presses the RETURN key, and notes that the "Miscellaneous Expense"

account name and amount of $30.00 are displayed automatically. At this point Jim's account is in balance. He then presses the RETURN key to accept the "END" prompt, "Y" and the RETURN key again to complete the invoice and record the information.

Jim has also ordered six Zenith model 100-ZA 19-inch color televisions and 10 Zenith model Z-1000 compact stereo units, complete with speakers, turntable, receiver and cartridge. The cost on the model 100-ZA is $294.50, and the cost on the model Z-1000 stereo is $183.70. The Zenith representative from Southern Sales Inc. agrees to deliver the merchandise sets the following day at no extra charge if Jim and Vera will agree to participate in a one-time co-op advertisement in the upcoming Sunday paper. The Scott's portion of the ad is $60.00, but they agree that it will be a good way to get their name known to the public.

Jim will not record the Zenith invoice in the system until the shipment arrives. Therefore, he now quits the Accounts Payables module for 11/01/84.

The next day (11/02/84) the Zenith order arrives. Jim follows the same procedure as with the RCA order, using ZENITH as the Vendor ID, 11/02/84 as the Invoice Date, the Southern Sales invoice number 2341 and $3,664.00 as the total order amount, including the $60.00 advertising expense. He notes that the computer program has calculated the discount available of $73.28 and displays the discount date of 11/12/84. He uses the inventory account number 1200 again and types "3604" as the inventory debit over the default amount of $3664.00. He then selects account 5100, Advertising Expense, and confirms the account name and the default amount of $60.00. After Jim records this

invoice, he notes that the cursor is back on the vendor ID line. Jim presses the ESCAPE key to return to the Payables Menu.

VENDOR MAINTENANCE. On Monday, November 5, a sales representative for Audio Accessories Inc. drops by Scott's TV & Stereo to try to interest Jim and Vera in some specialty antennas for the RCA and Zenith TVs. The Scotts are reluctant to stock the antennas, because all of their televisions in stock come with built-in antennas. The sales representative convinces them that this specialty model enhances reception and produces a sharper picture. In addition, the salesman offers to give them 30-day terms if they buy a dozen on a one-month trial offer. The units cost $5.50 each and retail for $19.95. The Scotts agree to try them out for 30 days.

Jim chooses Vendor Maintenance (option 1) from the Payables Menu in order to add a new vendor. He enters the following information on the entry screen:

Vendor ID:	AUDIO
Vendor Name:	Audio Accessories Inc.
Address:	3535 Briarcliff Road
Address:	
City:	Atlanta, GA
Zip: 30322	Phone: 404 555-9998
Temporary(Y/N):	Y
Cash Account:	(default account)
Terms:	1

Jim replied "Y" to the "Temporary (Y/N)" prompt because he is still not sure whether he and Vera will carry this product on a

regular basis. The temporary designation means that the vendor will be deleted if the balance is zero at Posting Month End.

He then records this information and presses the ESCAPE key twice to return to the Payables Menu.

Jim then returns to the Record Invoices option (number 2) and enters "AUDIO" as the vendor ID, "11/05/84" as the date, "116" as the invoice number, "239.40" as the amount and "1220 Inv–Misc. Hardware," as the account. He records this information and presses the ESCAPE key to go to the Payable Menu.

CREDIT AND DEBIT MEMOS. The Credit & Debit Memo functions in the Accounts Payable module refer to the credit or debit memos sent to the Scotts by their vendors. Just as the Scotts issue a credit memo from their Accounts Receivable module when they want to inform a customer of a decreased A/R balance, the Scotts' vendors issue credit memos to inform Jim and Vera that they do not owe as much as a previous invoice stated. On the Scotts' A/P Journal, such a credit memo is recorded as a debit to Accounts Payable, because the Scotts' Payables liability actually decreases (which is recorded on the left-hand side of the Accounts Payable T-account). Likewise, when one of the Scotts' vendors sends them a debit memo, it means a debit, or increase to the vendor's A/R account, but a credit, or a decrease, to the Scotts' A/P account.

Remember the following practical rules for credit and debit memos: In the Accounts Receivable module the credit and debit memos are issued by the Scotts, whereas in the Accounts Payable module the credit and debit memos are issued by the Scotts'

vendors. For the Accounts Payable module, Jim will use the credit memo function if he has to record a decrease in his balance to one of his vendors, such as a vendor confirmation of returned merchandise or a manufacturer's price reduction before payment is due. He will use the debit memo function if he must increase the Scotts' balance with a vendor, such as by an extension error on the original invoice or a late charge.

On November 7, Vera discovers that one of the model 4AB11 RCA televisions has been damaged during shipment. She calls Capital Distribution, and they agree to take it back. Jim chooses the Credit & Debit Memos option (number 3) from the Payables Menu and then selects the Credit Memo option (number 1). Jim enters the vendor ID (RCA), the current date (11/07/84), the credit number 5660 (to remind himself that this credit memo refers to invoice 5660), $197.50 as the amount of the credit and 1200 for the inventory account. He then records this information and escapes to the Credit & Debit Memos Menu.

That same afternoon, Jim gets a call from the Capital Distribution sales representative, who says that he misquoted by $10.00 the promotional kit price that was part of the original 11/01/84 invoice. The adjusted cost of the kit is $40.00 instead of the $30.00 quoted to Jim and Vera. Jim is not pleased with this oversight but agrees to include the extra $10.00 in his invoice payment. Jim chooses the Record Debit Memo selection and, after the "Debit Memos" information screen, he enters "RCA," the current date (11/07/84), the debit number 5660 (to remind himself that this debit memo refers to the invoice 5660), the $10.00 and 5580 for the miscellaneous expense account. He records this information and presses the ESCAPE key to return to the Payables Menu.

VOID TRANSACTIONS. The next day (11/08/84), the salesman from Audio Accessories Inc. calls back to tell the Scotts that he could not get them 30-day trial terms after all and that the full balance of $239.40 is due immediately. Vera informs him that he can come back and pick up his antennas at any time, as the Scotts do not intend to do business with him any more.

Jim selects the Void Transactions option (number 5) from the Payables Menu and then chooses the Void Invoice option (number 6). He enters the invoice number, 116, and presses the RETURN key. He notes that the original invoice date (11/04/84), the vendor name, the invoice amount and the current balance are automatically displayed on the screen. Jim enters "Y" to the prompt "Is this the Correct Invoice (Y/N)?" and to the next prompt "Void this Invoice (Y/N)?" He records this information and escapes to the Payables Menu.

JOURNALS AND REPORTS: PART I. On November 9, Jim remembers that eight days have elapsed since the Scotts received their first RCA shipment from Capital Distribution Corporation. Jim knows that he has to pay the full invoice within two days if he wants to qualify for the 2 percent discount. He selects the Journals and Reports option (number 6) from the Payables Menu in order to check the status of his discount and payment options. The following menu is displayed:

JOURNALS AND REPORTS MENU

1. Vendor Master List.
2. A/P Ledger.
3. Payables Detailed G/L.
4. Purchases Journal.
5. A/P Disbursements Journal.
6. Open Invoice Register.
7. Cash Requirements Report.
8. A/P Check Register.
9. Payables Chart of Accounts.
10. Vendor Reference List.
11. Mailing Labels.
12. Return to Payables Menu.

After consulting the Accounts Payable Reference Guide to determine which reports or journals will show him the information he needs to know about the discount option, Jim decides to print the Cash Requirements Report (option 7). He can then compare his cash requirements over the next several days with the company checking account balance to determine whether he can take the RCA discount, the Zenith discount or both.

On the screen a criteria list is displayed that Jim must fill in before he can print the Cash Requirements Report. For the RCA shipment, he uses the current date (11/09/84) as the payment date, 12/01/84 as the due date and 11/11/84 as the discount due date, and he accepts the defaults for first vendor ID (Audio) and last vendor ID (Zenith). He also accepts the "N" default prompt for the "Take Lost Discounts" question. This last option is for taking the discount even though the official discount qualification due

date may have passed. Jim doesn't want to do this. He then prints a copy of the report to review.

After reviewing the Cash Requirements Report against their cash balances and their A/R Summary Report, Jim and Vera decide that they have enough funds to pay the full balance of the first RCA invoice. Jim realizes that he must modify the original RCA invoice to obtain the revised discount and check amount after taking into account the debit and credit adjustments. From the original $2,657.00 he subtracts $197.50 for the merchandise returned and adds $10.00 for the extra promotional costs, for a net amount owed of $2,469.50. He then calculates 2 percent of $2,469.50 for a revised discount of $49.39 and a net payment amount of $2,420.11.

Therefore, if the Scotts pay invoice 5660 today, they will save $49.39 and pay only $2,420.11. If they miss the 11/11/84 early payment discount deadline, they will have to pay the net balance of $2,469.50 ($2,657.00-$197.50 + $10.00).

The Scotts decide that they do not have enough liquidity (Cash in Bank) to pay the Zenith invoice 2341 by the discount due date of 11/12/84, but Jim proceeds to make the payment for the RCA shipment. Jim chooses the Payments option (number 4) on the Payables Menu and finds the following menu displayed:

PAYMENTS MENU

1. Create Payments List.
2. Print Payments List.
3. Edit Payments List.
4. Issue Computer Checks.
5. Handwritten Checks.
6. Return to Payables Menu.

From the Payments Menu Jim selects the Create Payments List option (1) and then enters this information:

Payment Date:	11/09/84
Due on or Before:	12/01/84
Discount on or Before:	11/11/84

The first vendor through last vendor information is displayed automatically as Jim presses the RETURN key twice. The option to "Take Lost Discounts" is not relevant to this transaction. He presses the RETURN key to accept the default value, "N," and then records the information.

Second, Jim selects the Edit Payments List (option 3) from the Payments Menu and then chooses option 2, Modify an Entry, and presses the RETURN key. He then enters "RCA" as the vendor ID and presses the RETURN key. After the vendor name (Capital Distribution) appears, he enters the original invoice number, 5660, and views the current due date (12/01/84), discount date (11/11/84), invoice amount ($2,657.00) and discount available ($53.14). On the "Amount to be Paid" line, Jim enters $2,607.61 ($2,657.00 minus the revised discount of $49.39) and

presses the RETURN key. On the "Discounts Taken" line, he enters $49.39 and presses the RETURN key, then records this information.

After these modifications, Jim returns to the Payments Menu and chooses the Print Payments List (option 2) to ensure that his revisions have been correctly recorded. He changes the report date to 11/09/84 and chooses "P" for the printer if his hardware has the option to view the report on the screen, then presses the RETURN key. After printing the Payments List, Jim notes with satisfaction that the total discount taken is now $49.39 and the revised check amount is $2,420.11.

Finally, Jim chooses the Issue Computer Checks option (number 4) from the Payments Menu, inserts his preprinted checks in the printer and presses the RETURN key. He chooses the sample check option in order to align his preprinted checks with the printer. After checking the alignment, Jim enters 101 at the check number prompt and presses the RETURN key to print the Capital Distribution check for $2,420.11. The second half of the form provides the Capital Distribution Corporation with a record of the breakdown of the original invoice of $2,657.00, less the $49.39 discount, the credit memo of $197.50 and the debit memo of $10.00. Jim does not need to reprint this check, so he types "N" and presses the RETURN key to exit to the Payments Menu.

From the Journals and Reports Menu, Jim now chooses the Mailing Labels option (number 11) and confirms to the system that his current data disk is in place by pressing the RETURN key again. Since he also intends to pay his Zenith bill at the end of the month but has no intention of paying for the "specialty antennas," he chooses the Permanent Vendors option (number 3)

and presses RETURN. Jim will thereby print the names and addresses for Capital Distribution and Southern Sales Inc. but not for Audio Accessories.

After placing his mailing labels in the printer, he presses the RETURN key, answers "Y" to the sample label printer alignment question and then presses the RETURN key again. After realigning his labels to conform with the "XXXXXXX" marks that were just printed, he presses the RETURN key again to continue. This time Jim answers "N" to the sample label printer prompt and, after the labels print, he returns to the Payables Menu by pressing the ESCAPE key.

[redacted]

JOURNALS AND REPORTS: PART II. On November 15, the Scotts decide to take an in-depth look at all the reports from the Journals and Reports Menu in order to learn how the various journals can help them keep tight control of their TV and stereo business.

Jim selects the Journals and Reports option (number 6) from the Payables Menu and looks over the various report selections. Because he has already used Cash Requirements Report (option 7), Payables Chart of Accounts (option 9) and Mailing Labels (option 11), he chooses to print the remaining reports one by one so he and Vera can review them.

[redacted]

VENDOR MASTER LIST. After entering "1" and pressing the RETURN key, Jim confirms that the current data disk is correct and continues. He then chooses the "all vendors" option,

changes the report date to 11/15/84 and chooses the printer option.

From this report the Scotts review all the current standard information on their three vendors, including the 11/09/84 payment of $2,469.50 to Capital Distribution. They also note that this master list provides the names and addresses of their vendors and their current status with regard to purchases year to date, current balance, last purchase, last payment, terms and permanent/temporary status.

A/P LEDGER. At the Journals and Reports Menu, Jim enters "2" (A/P Ledger), confirms that the current data disk is in place and continues. Again, he chooses the "all vendors" option, confirms the date (11/15/84) and chooses the printer option.

Jim and Vera note that the A/P Ledger provides all the necessary information on the vendor invoice transactions, including original vendor invoice number, the invoice date, the invoice amount, check number, the discounts taken, the amount paid and the remaining balance. They note the $0.00 balance for Capital Distribution and the outstanding balance of $3,664.00 for Southern Sales. Further, they acknowledge with satisfaction that the Audio Accessories information does not appear, since Jim deleted the original invoice the week before.

PAYABLES DETAILED G/L. At the Journals and Reports Menu, Jim enters "3" (Payables Detailed G/L) and confirms that the current data disk is in place. he confirms the date (11/15/84)

(11/15/84) and chooses the printer option.

The Scotts note that the Payables Detailed G/L provides all the current activity with the Accounts Payable accounts from 11/01/84 to 11/15/84. They note that the credits to Cash in Bank ($-2,420.11) and Purchase Discounts ($-49.39) equal Capital Distribution's debits to Inv - TV & Stereo ($2,429.50) and Miscellaneous Expense ($40.00).

PURCHASES JOURNAL. At the Journals and Reports Menu, Jim enters "4" (Purchases Journal), confirms that the current data disk is in place and continues. He confirms the date (11/15/84) and chooses the printer option.

Jim and Vera analyze the Purchases Journal and note that this is a good source of total invoice amounts in any one month. They see that they have invoices of $6,133.50 as of midmonth, with total calculated discounts of $122.67 ($49.39 already taken on the RCA invoice and $73.28 lost on the Zenith invoice).

A/P DISBURSEMENTS JOURNAL. At the Journals and Reports Menu, Jim enters "5" (A/P Disbursements Journal), confirms that the current data disk is in place and continues. He accepts the date (11/15/84) and chooses the printer option.

The Scotts realize that this journal provides them with all the actual payments made during the current period under review. The A/P Disbursements Journal shows check 101 with a total of $2,420.11, which reflects a purchase discount of $49.39.

OPEN INVOICE REGISTER. At the Journals and Reports Menu, Jim enters "6" (Open Invoice Register), confirms that the current data disk is in place, chooses "all vendors" and continues. He confirms the date (11/15/84) and chooses the printer option.

Jim and Vera note that the only open transaction is the Southern Sales Inc. invoice, number 2341, for $3,664.00 ($3,604.00 in inventory and $60.00 in advertising expense). The Capital Distribution invoice (5660) has been paid and the Audio Accessories invoice 116 was voided, so neither one appears on the Open Invoice Register.

A/P CHECK REGISTER. At the Journals and Reports Menu, Jim enters "8" (A/P Check Register), confirms the current data disk is in place, confirms the date (11/15/84) and chooses the printer option.

The Scotts compare the A/P Check Register to the A/P Disbursements Journal (option 5) and note that both give similar information. They notice that the A/P Check Register information is structured to check totals and discounts taken, while the A/P Disbursements Journal provides information on invoice numbers and a breakdown of the check totals. They also note that the total purchase discounts taken ($49.39) and the total amount paid ($2,420.11) are the same on both reports.

VENDOR REFERENCE LIST. At the Journals and Reports Menu, Jim enters "10" (Vendor Reference List), confirms that

the current data disk is in place, then accepts the report date (11/15/84) and chooses the printer option.

The Scotts note that the Vendor Reference List provides them with a list of all their vendors by ID and full company name for quick reference. "Audio Accessories" is still included on the list, since the Scotts have not run month-end posting yet.

At this point, Jim uses the ESCAPE key to return to the Payables Menu and selects option 10, Quit Payables. He decides to make a backup copy of his data disk in response to the last screen.

PAYMENTS—PART II. On November 26, Jim and Vera are prepared to pay the Zenith invoice 2341 to Southern Sales Inc. Although their limited cash flow during the first two weeks after opening the new business precluded them from taking advantage of the early payment discount before 11/12/84, business has improved greatly during the last two weeks.

Jim reloads the Accounts Payable module and chooses the Payments option (number 4) on the Payables Menu. Jim now selects the Create Payments option (number 1) and enters the following information:

Payment Date:	11/26/84
Due on or Before:	12/02/84
Discount on or Before:	11/12/84

The first vendor through last vendor information is displayed automatically as Jim presses the RETURN key twice. Jim chooses not to "Take Lost Discounts" by pressing the RETURN

key on the default prompt "N." If Jim had wanted to send his check to Southern Sales Inc. minus the $73.28 discount, even though he is three weeks past the early payment due date, he would have entered "Y" at this point and continued.

Next Jim chooses the Issue Computer Checks option (number 4) from the Payments Menu, inserts his preprinted checks in the printer and presses the RETURN key. He chooses the sample check option in order to align his preprinted checks in the printer. After checking the alignment, Jim notes that the automatic check number 102 is displayed. He presses the RETURN key to print the Southern Sales Inc. check for $3,664.00. After the check and accompanying check stub printed, Jim inspects the latter to see the total of the payment, $3,664.00, which is comprised of the original invoice of $3,604.00 plus the advertising expense of $60.00. Jim does not need to reprint this check, so he types "N" and presses the RETURN key to go to the Payments Menu.

Jim uses the mailing list label he printed earlier and sends the payment to Southern Sales Inc. The Scotts are proud that they are now completely current on all their suppliers' invoices, even though November is their first month of business.

Post Payables

On November 30, Jim chooses the Post Payables option (number 7) from the Payables Menu and presses the RETURN key. At this point the system advises him to make backup copies of both the A/P data disk and the G/L data disk. Jim follows this recommendation by pressing the ESCAPE key to return to the Payables Menu, then presses the Copy Disk option (number 9) and follows the on-screen instructions. Afterwards, Jim returns to the Post Payables selection and chooses the Month End Posting option. If Jim and Vera had accumulated many transactions on the initial A/P data disk during the first two weeks, Jim could

have performed a midmonth posting and created a new A/P data disk for the remainder of the month.

After reading the warning display, Jim gets a blank disk, as suggested by the on-screen instructions. He is then given one more chance to change his mind as another caution message is displayed. Jim enters "Y" and presses the RETURN key.

Following the on-screen instructions, Jim labels his blank disk "Archived A/P Data Disk 11/30/84" and presses the RETURN key. Next he removes the program disk from the primary drive, inserts the newly labeled disk in the empty drive and presses the RETURN key.

After reading the archived disk instructions, Jim presses the RETURN key again and follows the instructions to remove the archived A/P data disk from the primary drive and replace the program disk in the same drive. Then he presses the RETURN key.

The Align Printer screen is now displayed, advising Jim to prepare his printer. Jim presses the RETURN key.

The following four reports are now printed by the Accounts Payable module:

1. Purchases Journal
2. A/P Disbursements Journal
3. A/P Ledger
4. Payables Detailed G/L

After these reports are printed, the Change Disk command is displayed, which Jim follows. He then inserts the G/L data disk

in the primary drive and presses the RETURN key. The Back to Basics A/P transaction information for the month of November is now passed to the G/L data disk.

Next Jim is instructed to remove the G/L data disk from the primary drive, place the archived A/P data disk in the same drive and continue. The system will urge that a backup copy of the data disk be made.

The posting of Payables is now complete. Jim returns to the Payables Menu and makes backups of the A/P data disk and the G/L data disk as of December 1, 1984. (The month has been automatically incremented by the system.)

Conclusion

Congratulations! You, along with Jim and Vera Scott, have completed the one-time startup procedures and recorded the first month's business transactions. For more practice or experimentation with the program, you may want to enter additional transactions for Scott's TV & Stereo covering the month of December. Remember to select the Year End Posting option at the end of your fiscal year, preceded by the creation of a backup copy of your last month's data disk, so you can keep its transactions separate from the year-end posting data disk.

You should continue making sample entries until you feel comfortable running Accounts Payable and are ready to install it for your company.

This Reference Guide to the Back to Basics Accounts Payable is divided into four sections: "Startup Planning," "Recommended Startup Sequence," "Startup Procedures" and "Maintenance Procedures."

"Startup Planning" covers things you should think about and decisions you will have to make about how you want Accounts Payable to handle certain procedures.

"Recommended Startup Sequence" gives you a quick guide to the whole "Startup Procedures" process.

"Startup Procedures" covers things you must do to set up Accounts Payable for processing, including such things as setting up account numbers and entering vendor information.

"Maintenance Procedures" describes all the procedures you need for day-to-day processing of your Accounts Payable system.

Startup Planning

Before setting up Accounts Payable, some planning should be done to ensure that you are taking advantage of the many features and options available in the system.

[redacted]

THE ACCOUNTS PAYABLE CHART OF ACCOUNTS. Accounts Payable will accumulate transaction information on the money you owe and pay to vendors, and, if linked, will distribute this information to the Back to Basics General Ledger. To do this, it must know which accounts you plan to use. Any one transaction may be distributed to as many as 15 accounts. You may select any accounts you want, but usually these accounts will be Asset accounts (1000-1999) and Expense

accounts (5000-9999). The system requires that, at a minimum, the following three accounts be entered into the Accounts Payable Chart of Accounts: Cash in Bank (in the range 1000-1999), Accounts Payable (in the range 2000-2999) and Purchase Discounts (in the range 4000-4999). These accounts, once entered, cannot be deleted after Startup has been completed.

STARTUP DATE. The Startup Date is the date you intend to begin recording transactions with Accounts Payable. After you have begun, the system will automatically advance the month every time you "close" the books for a month, and it will advance the year when you close December's books. The system will also handle your year-end processing at the end of your fiscal year.

INTEGRATING ACCOUNTS PAYABLE WITH GENERAL LEDGER. If you are using the Back to Basics General Ledger, you can direct Accounts Payable to automatically post its transaction entries to General Ledger, saving much manual effort at month end. To use this feature effectively, you should consider these points:

1. The processing months for General Ledger and Accounts Payable must be synchronized. If you are processing May for General Ledger, you must be processing May for Accounts Payable.

2. You will be required to post the Accounts Payable transactions to the General Ledger before you can close General Ledger.

3. If you decide to "link" Accounts Payable to General Ledger after Startup, you must not have posted any transactions to Accounts Payable for the current month. Both systems must be processing the same month's data, and you will have to re-enter the Payables Chart of Accounts.

4. You should process Accounts Payable adjustments (credit memos, debit memos, void transactions, etc.) through Accounts Payable, not directly in General Ledger, or else the General Ledger accounts payable won't agree with the Accounts Payable balance.

OUTSTANDING INVOICES. Before beginning Accounts Payable, you should collect all of your outstanding invoices, credit memos, debit memos and other Accounts Payable transactions and make sure that their total agrees with your Accounts Payable total in General Ledger. While there is no system requirement that these totals agree, it is poor practice to allow them to remain out of balance.

COMPANY ID. If you anticipate linking Accounts Payable to General Ledger, the company IDs must be the same.

PASSWORD. The use of the password protection feature is optional. If you elect to use it, the system will require that the password be entered correctly before beginning each session. Once you decide to use the password option, it cannot be

changed or deleted after Startup. Be sure to make a note of the password entered during Startup.

ALPHABETICAL OR NUMERIC VENDOR IDs. During Startup you can choose to use either all numeric or all alphabetical characters for your vendor IDs. If you choose alphabetical IDs, you may use a short version of the vendor's name to help remember the ID; however, you may encounter vendors with the same name. If you elect numeric IDs, you can assign categories or ranges of numbers for different types of vendors. This will be useful in getting listings of vendors using the "Range of Vendor IDs" option in the Vendor Listings section. However, the numeric Vendor IDs will probably not come readily to mind when entering invoices, so you will have to keep a vendor reference list handy.

Recommended Startup Sequence

1. Proceed through the Startup Procedures as directed in your *Hardware Booklet* until you come to the Startup Menu.

2. From the Startup Menu, select the "A/P Configuration" option (number 4) and enter your company name with the Company Name option.

3. Select the "Hardware Information" option and refer to your *Hardware Booklet* for detailed information.

4. Select the Payables Chart of Accounts option (number 3 on the Accounts Payable Configuration Menu) and enter the General Ledger accounts you intend to use in the Accounts Payable system. You can obtain a listing of these entries by selecting the Accounts Payable Chart of Accounts option on the Startup Reports Menu.

5. Select the Cash Accounts options (number 4) and specify those accounts that are Cash accounts.

6. Select the Vendor Terms option (number 5) and enter your vendor's terms.

7. Return to the Startup Menu and select the Vendor Maintenance option (number 1) to enter your vendors' information. Obtain a listing of the information you have entered by selecting the Vendor Master List option on the Startup Reports Menu.

8. Select the Record Open Transactions option (number 2) and enter your open invoices and other open transactions. Obtain a listing of your open invoices by selecting the Open Invoice Register option (number 3) on the Startup Reports Menu. Be sure the total outstanding balance agrees with your General Ledger accounts payable balance before proceeding with Startup.

9. Return to the Accounts Payable Configuration Menu and select the Posting Configuration option (number 6) to select the reports you want prepared during month-end posting.

10. After you have verified that your vendor information and invoices have been entered correctly, select the Complete Startup Procedures option (number 6) on the Startup Menu to tell the system that you are ready to begin normal processing.

Startup Procedures

During the Startup process you will tell the system about your company, your vendors and your specific computer equipment. This is done by answering questions the system will ask during Startup.

Because the specific procedures to follow depend on the type of machine you are using, proceed to the section "Startup Procedures" in the *Hardware Booklet.* There you will find answers to your questions about your specific computer and directions for continuing the Startup Procedures.

HAVE YOU CREATED DATA DISK (Y/N)?
Reply "N" to indicate that you are starting up a new company.

INTEGRATE A/P WITH G/L (Y/N)? Enter "Y" to have Accounts Payable automatically post its transactions to General Ledger at period close. If you enter "Y" the next two prompts will not appear. Enter "N" if you do not want to use this feature.

STARTUP DATE: Enter the date you will begin entering transactions to Accounts Payable.

COMPANY ID: Enter a six-character ID to be used for this company.

PASSWORD: Enter a six-character password if you intend to use the password feature. If you do not want to use the password feature, press the RETURN key to leave this field blank. Once the password option is chosen, you will have to give the correct password each time you begin processing.

ALPHABETICAL OR NUMERIC ID (A/N)? Enter "A" if you intend to use alphabetical characters for the vendor ID, "N" to use numeric characters.

After you answer, the prompt "Record this information (Y/N)?" appears. Once you answer "Y" you will not be able to change

any of the above information without creating a new Accounts Payable data disk.

S

STARTUP MENU

1. Vendor Maintenance. Page 269.
2. Record Open Transactions. Page 273.
3. Void Transactions. Page 276.
4. A/P Configuration. Page 265.
5. A/P Startup Reports. Page 278.
6. Complete Startup Procedures. Page 279.
7. Copy Disks. Page 279.
8. Quit Payables. Page 279.

S-4

4. A/P CONFIGURATION MENU

1. Company Name. Page 265.
2. Hardware Information. Page 266.
3. Payables Chart of Accounts. Page 266.
4. Cash Accounts. Page 267.
5. Vendor Terms. Page 268.
6. Posting Configuration. Page 268.
7. Advanced Operating Mode. Page 269.
8. Link/Unlink Payables. Page 269.
9. Return to Startup Menu.

S-4-1 **1. COMPANY NAME.**

USE: The company name entered here will be printed at the top of all reports.

PROCEDURE: Enter it. At the prompt "Record this information (Y/N)?" check to make sure the information is correct and enter "Y" to record it. Then you are returned to the A/P Configuration Menu.

S-4-2 **2. HARDWARE INFORMATION.**

USE: To specify the printer you are using. Refer to the section "Hardware Configuration: Printers" in your *Hardware Booklet.*

S-4-3

3. PAYABLES CHART OF ACCOUNTS MENU

1. Add Accounts. Page 266.
2. Modify an Account Name. Page 267.
3. Delete an Account. Page 267.
4. Return to Configuration Menu.

S-4-3-1 **1. ADD ACCOUNTS.**

USE: To enter accounts that will be used by the Accounts Payable system. If the Accounts Payable system is integrated with General Ledger, these accounts must first exist in General Ledger.

PROCEDURE: Enter the account number and title for each account. The system will pause after 10 entries to save the information to your data disk.

NOTE: If the Accounts Payable system is linked with General Ledger, the system will check to see that each account number entered exists in General Ledger and will display the account title.

S-4-3-2 **2. MODIFY AN ACCOUNT NAME.**

USE: To change an account name in the Accounts Payable Chart of Accounts.

PROCEDURE: Enter the account number for the account name you want to change, and the system will display the current name. Enter the new name, and at the prompt "Record this information (Y/N)?" enter "Y" to record the information to your data disk. Press the ESCAPE key to return to the account number field without changing the name.

NOTE: You can see a list of your current Accounts Payable Chart of Accounts by pressing the ? key in the first position for the account number.

S-4-3-3 **3. DELETE AN ACCOUNT.**

USE: To remove an account from the Payables Chart of Accounts.

PROCEDURE: Enter the account number you want to delete. The system will display the account name and ask you to verify that this is the correct account.

NOTE: The accounts specified during Startup as the Cash Account(s), Accounts Payable or Purchase Discounts cannot be deleted once Startup is completed.

S-4-4 **4. CASH ACCOUNTS.**

USE: To specify which accounts in the Payables Chart of Accounts are to be used as Cash Accounts.

PROCEDURE: Enter the account number for each of your Cash Accounts.

NOTE: These accounts must have already been set up in the Payables Chart of Accounts. You may have a maximum of three cash accounts. Once these accounts are specified, you cannot delete or change them.

S-4-5

5. VENDOR TERMS.

USE: To enter and modify terms of payment and discounts allowed by vendors.

PROCEDURE: Enter the reference number for the terms entry you want to enter or modify.

—DESCRIPTION: Enter a brief description for the terms conditions; for example, "2% 10-NET 30" for a 2 percent discount if paid in 10 days, else net invoice amount in 30 days.

—NET DUE: Terms may call for net payment by a day of the month or by a number of days. Enter the day of the month in "Net: Date Due" if the terms call for payment by a day of the month. Enter the number of days in "Net: Days Until Due" if the terms call for payment within a number of days.

—DISCOUNT: Terms may grant a discount if payment is made by a day of the month or within a number of days. Enter the day of the month in "Discount: Due Date" if the terms grant a discount if payment is made by a certain day of the month. Enter the number of days in "Discount: Days Until Due" if the terms grant a discount if payment is made within a number of days.

—DISCOUNT PERCENTAGE: Enter the discount percentage, if applicable.

S-4-6

6. POSTING CONFIGURATION.

USE: To specify reports you want prepared during month-end posting.

PROCEDURE: Enter "Y" next to those reports you want prepared, and enter "N" for those you do not want prepared. At the prompt "Record this information (Y/N)?" enter "Y" to record this information to your data disk.

S-4-7 **7. ADVANCED OPERATING MODE.**

USE: To speed processing by providing a default "Y" answer to on-screen queries.

S-4-8 **8. LINK/UNLINK PAYABLES?**

NOTE: This option is not available during Startup.

S-4-9 **9. RETURN TO STARTUP MENU.**

USE: To exit the Configuration Menu.

S-1

1. VENDOR MAINTENANCE MENU

1. Add a Vendor. Page 269.
2. Modify Vendor Information. Page 271.
3. Delete a Vendor. Page 272.
4. Review Vendor Information. Page 272.
5. Return to Startup Menu.

S-1-1 **1. ADD A VENDOR.**

USE: To add a new vendor to the Vendor Master File.

PROCEDURE: Supply the following information.

—VENDOR ID: Enter the vendor ID you want to assign to this vendor. The ID may not have already been assigned to another vendor.

—VENDOR NAME AND ADDRESS INFORMATION: Enter the name and address of this vendor.

—TEMPORARY (Y/N): Enter "N" if you want this vendor to remain in the Vendor Master File regardless of balance or activity. Enter "Y" if you want this vendor to be removed from the Vendor Master List when there has been no activity and the vendor balance is zero.

—CASH ACCOUNT: If you have specified that you have more than one Cash account, the system will allow you to specify a Cash account other than your primary Cash account. This account represents the bank account that any checks written for this vendor will be drawn from. To review existing Cash accounts, press the ? key.

TERMS: Enter the terms code for the terms granted by this vendor. To see a list of your terms codes, press the ? key at the terms field.

—PURCHASES YEAR-TO-DATE: Enter the amount of purchases you have made this year from this vendor. This field is optional. Invoices entered during Startup will not increase this total. Those entered during regular operation will be added to it.

—CURRENT BALANCE: This field can be altered only by entering transactions for this vendor. It represents the current net amount owed to this vendor.

—LAST PAYMENT/PURCHASE DATE AND AMOUNT: These fields are updated when transactions are posted for this

vendor. At the prompt "Record this information (Y/N)?" enter "Y" and press RETURN.

S-1-2 **2. MODIFY VENDOR INFORMATION.**

USE: To change vendor information in the Vendor Master File.

PROCEDURE: You may change the vendor information by entering new information in the appropriate fields. To leave a field as it is, press the RETURN key. To back up to a previous field, press the ESCAPE key.

—VENDOR ID: Enter the vendor ID for the vendor you want to change. The current information for the vendor will appear. You may press CONTROL A or CONTROL Z to proceed, respectively, to the next or prior sequential vendor in the file after the information for a vendor has already been displayed.

—VENDOR NAME AND ADDRESS INFORMATION: Enter the new name and address information for this vendor.

—TEMPORARY (Y/N): Enter "N" if you want this vendor to remain on the Vendor Master File regardless of balance or activity. Enter "Y" if you want this vendor to be removed from the Vendor Master List when there has been no activity and the vendor balance is zero.

—CASH ACCOUNT: If you have specified that you have more than one Cash account, the system will allow you to specify a Cash account other than your primary Cash account. This account represents the bank account that any checks written for this vendor will be drawn from. To review existing Cash accounts, press the ? key.

—TERMS: Enter the terms code for the terms granted by this vendor. To view a list of your terms codes, enter the ? key.

—PURCHASE YEAR-TO-DATE: Enter the amount of purchases you have made this year from this vendor. This field will be updated by activity for this vendor. Entry during startup is optional.

—CURRENT BALANCE: This field can only be altered by entering transactions for this vendor. It represents the current net amount owed to this vendor.

—LAST PAYMENT/PURCHASE DATE AND AMOUNT: These fields are updated when transactions are posted for this vendor.

S-1-3 **3. DELETE A VENDOR.**

USE: To remove a vendor from the Vendor Master File.

PROCEDURE: Supply the information asked for by the system.

—VENDOR ID: Enter the Vendor ID for the vendor you want to delete. The system will display the current vendor information and ask you to confirm that this is the correct vendor. At this point you may also press CONTROL A and CONTROL Z, respectively, to proceed to the next or prior sequential vendor.

NOTE: You may not delete a vendor that has an outstanding balance or pending transactions except during Startup.

S-1-4 **4. REVIEW VENDOR INFORMATION.**

USE: To review vendor information in the Vendor Master File.

PROCEDURE: Answer the screen prompts.

—VENDOR ID: Enter the vendor ID for the vendor you want to review. The system will display the current vendor information. At this point, you may press CONTROL A and

CONTROL Z, respectively, to go to the next or prior sequential vendor.

S-2

2. OPEN TRANSACTIONS MENU

1. Record Invoices. Page 273.
2. Record Credit Memos. Page 274.
3. Record Debit Memos. Page 275.
4. Return to Startup Menu.

S-2-1

1. RECORD INVOICES.

USE: To record open invoices that have not been paid as of the startup date.

PROCEDURE: Enter the information called for below. To change information entered, press the ESCAPE key to back up and re-enter the information. Press the RETURN key to skip or accept previously entered information.

—VENDOR ID: Enter the vendor ID for the invoice. The system will display the vendor name. If you have entered the wrong vendor ID, press the ESCAPE key to enter a new vendor ID.

—INVOICE DATE: The system will display the sign-on date or the last date entered. To change the date, enter the new month, day and year for the invoice.

—INVOICE NUMBER: Enter the invoice number. Invoices can have duplicate numbers.

—DUE DATE: The system will display the calculated due date based on the vendor terms. To change the due date, enter the new month, day and year.

—AMOUNT: Enter the amount of the invoice.

—DISCOUNT AVAILABLE: The system will calculate the discount available based on the vendor terms. To change the discount amount, enter the new amount.

—DISCOUNT DATE: The system will display the discount date based on the vendor terms. To change the discount date, enter the new month, day and year.

NOTE: The system does not require that the invoice number be unique. If two invoices with the same number have been entered and you need to reference one, the system will find the first one and ask you if it is the one you want. If it is not, you can direct it to search for a possible duplicate invoice.

At the prompt "Record this information (Y/N)?" enter "Y" to record the information you have entered. Enter "N" to go back and change incorrect information.

S-2-2 **2. RECORD CREDIT MEMOS.**

USE: To record open credit memos.

PROCEDURE: Enter the information called for below. To change information entered, press the ESCAPE key to back up and re-enter the information. Press the RETURN key to skip or accept previously entered information.

—VENDOR ID: Enter the vendor ID for this credit memo. The system will display the vendor's name. If this is not the correct vendor, use the ESCAPE key and re-enter the vendor ID.

—CREDIT MEMO DATE: The system will display the sign-on date or the last date entered. To change the date, enter the new month, day and year for the credit memo.

—CREDIT MEMO NUMBER: Enter the credit memo number.

—AMOUNT: Enter the amount for the credit memo.

NOTE: The system does not require that the credit memo number be unique.

At the prompt "Record this information (Y/N)?" enter "Y" to record the information you have entered. Enter "N" to go back and change incorrect information.

S-2-3 **3. RECORD DEBIT MEMOS.**

USE: To record open debit memos.

PROCEDURE: Enter the information called for below. To change information entered, press the ESCAPE key to back up and re-enter the information. Press the RETURN key to accept previously entered information.

—VENDOR ID: Enter the vendor ID for this debit memo. The system will display the vendor's name. If this is not the correct vendor, press the ESCAPE key and re-enter the vendor ID.

—DEBIT MEMO DATE: The system will display the sign-on date or the last date entered. (To change the date, enter the new month, day and year for the debit memo.)

—DEBIT MEMO NUMBER: Enter the debit memo number.

—AMOUNT: Enter the amount for the debit memo.

NOTE: The system does not require that the debit memo number be unique.

At the prompt "Record this information (Y/N)?" enter "Y" to record the information you have entered. Enter "N" to go back and change incorrect information.

S-3

3. VOID TRANSACTIONS MENU

1. Void Invoices. Page 276.
2. Void Payments. Page 276.
3. Void Credit Memos. Page 277.
4. Void Debit Memos. Page 277.
9. Return to Startup Menu.

S-3-1

1. VOID INVOICES.

USE: To remove invoices entered in error during the startup process.

PROCEDURE: Enter the invoice number you want to void. The system will display the information recorded for this invoice number. Verify that this is the invoice you want to void. If this is not the invoice, you can direct the system to search for a possible duplicate invoice.

NOTE: During Startup, the invoice is physically removed from the invoice file; reversing entries are not generated.

S-3-2

2. VOID PAYMENTS.

USE: This option is not available during the startup process.

S-3-3 **3. VOID CREDIT MEMOS.**

USE: To remove credit memos entered in error during the startup process.

PROCEDURE: Enter the credit memo number you want to void. The system will display the information found for this number. If two credit memos with the same number have been entered and you need to reference one, the system will find the first one and ask you if it is the one you want. If it is not, you can direct it to search for a possible duplicate credit memo.

NOTE: During Startup, the credit memo is physically removed from the credit memo file; reversing entries are not generated.

S-3-4 **4. VOID DEBIT MEMOS.**

USE: To remove debit memos entered in error during the startup process.

PROCEDURE: Enter the debit memo number you want to void. The system will display the information found for this number. Verify that this is the correct debit memo. If two debit memos with the same number have been entered and you need to reference one, the system will find the first one and ask you if it is the one you want. If it is not, you can direct it to search for a possible duplicate debit memo.

NOTE: During Startup, the credit memo is physically removed from the credit memo file; reversing entries are not generated.

S-5

5. STARTUP REPORTS MENU

1. Vendor Master List. Page 278.
2. Vendor Reference List. Page 278.
3. Open Invoice Register. Page 278.
4. A/P Chart of Accounts. Page 278.
9. Return to Startup Menu.

S-5-1 **1. VENDOR MASTER LIST.**

USE: To list vendor information contained in the Vendor File.

PROCEDURE: You can list information for all vendors, open-balance vendors, permanent vendors, temporary vendors or vendors within a specific ID range.

S-5-2 **2. VENDOR REFERENCE LIST.**

USE: To list all vendor IDs with vendor names.

PROCEDURE: Select this option to obtain the listing. Depending on your computer model, you may be able to select the list to be displayed on your screen or printer.

S-5-3 **3. OPEN INVOICE REGISTER.**

USE: To list unpaid invoices for vendors.

PROCEDURE: You can list information for all vendors, open-balance vendors, permanent vendors, temporary vendors or vendors within a specific ID range.

S-5-4 **4. PAYABLES CHART OF ACCOUNTS.**

USE: To list accounts contained in the Accounts Payable Chart of Accounts.

PROCEDURE: Select this option to obtain the listing. Depending on your computer model, you may be given the option to display the Chart of Accounts on your screen or printer.

S-6 **6. COMPLETE STARTUP PROCEDURES.**

USE: To tell system that you have entered all of your vendor information and open invoices and are ready to begin normal processing.

PROCEDURE: Select this option to complete the Startup Procedures.

NOTE: The system will ask you to verify that all of your vendors and their open transactions have been entered correctly and that your Payables Chart of Accounts contains at least the following accounts: Accounts Payable (2000-2999) and Purchase Discounts (4000-4999).

If you are integrating Accounts Payable with General Ledger, you will need to follow the screen instructions for recording this information to the General Ledger data disk.

S-7 **7. COPY DISKS.**

USE: To make backup copies of your data disks.

PROCEDURE: With a blank disk at hand, follow the screen prompts to make backup copies of your data disks.

S-8 **8. QUIT PAYABLES.**

USE: To exit the system.

Maintenance Procedures This section covers the operations that you will perform on a daily or weekly basis to enter information into Accounts Payable.

P

PAYABLES MENU

1. Vendor Maintenance. Page 280.
2. Record Invoices. Page 283.
3. Credit and Debit Memos. Page 285.
4. Payments. Page 287.
5. Void Transactions. Page 291.
6. Journals and Reports. Page 293.
7. Post Payables. Page 296.
8. A/P Configuration. Page 297.
9. Copy Disks. Page 301.
10. Quit Payables.

P-1

1. VENDOR MAINTENANCE MENU

1. Add a Vendor. Page 280.
2. Modify Vendor Information. Page 281.
3. Delete a Vendor. Page 282.
4. Review Vendor Information. Page 283.
5. Return to Payables Menu.

P-1-1 **1. ADD A VENDOR.**

USE: To add a new vendor to the Vendor Master List.

PROCEDURE: Enter the information asked for by the system.

—VENDOR ID: Enter the vendor ID you want to assign to this vendor. The ID cannot have already been assigned to another vendor.

—VENDOR NAME AND ADDRESS INFORMATION: Enter the name and address of this vendor.

—TEMPORARY (Y/N)?: Enter "N" if you want this vendor to remain on the Vendor Master List regardless of balance or activity. Enter "Y" if you want this vendor to be removed from the Vendor Master List when there has been no activity and the vendor balance is zero.

—CASH ACCOUNT: If you have specified that you have more than one Cash account, you may specify a Cash account other than your primary Cash account. This account represents the bank account that any checks written for this vendor will be drawn from. To review the existing Cash accounts, press the ? key.

—TERMS: Enter the terms code for the terms granted by this vendor. To see a list of your terms codes, press the ? key.

—CURRENT BALANCE: This field can be altered only by entering transactions for this vendor. It represents the current net amount owed to this vendor.

—LAST PAYMENT/PURCHASE DATE AND AMOUNT: These fields are updated when transactions are posted for this vendor.

At the prompt "Record this information (Y/N)?" enter "Y" to record this information to your data disk.

P-1-2

2. MODIFY VENDOR INFORMATION.

USE: To change vendor information in the Vendor Master List.

PROCEDURE: You may change the vendor information by entering new information in the appropriate fields. To leave a

field as it is, press the RETURN key. To back up to a previous field, press the ESCAPE key.

—VENDOR ID: Enter the vendor ID for the vendor you want to change. The current information for the vendor will appear. You may press CONTROL A or CONTROL Z, respectively, to go to the next or prior sequential vendor in the file after a vendor's information has already been displayed.

—VENDOR NAME AND ADDRESS INFORMATION: Enter the new name and address of this vendor.

—TEMPORARY (Y/N)?: Enter "N" if you want this vendor to remain on the Vendor Master List regardless of balance or activity. Enter "Y" if you want this vendor to be removed from the Vendor Master List when there has been no activity and the vendor balance is zero.

—CASH ACCOUNT: If you have specified that you have more than one Cash account, you may specify a Cash account other than your primary Cash account. This account represents the bank account that any checks written for this vendor will be drawn from.

—TERMS: Enter the terms code for the terms granted by this vendor. To see a list of your terms codes, press the ? key.

—CURRENT BALANCE: This field is updated automatically when transactions for this vendor are entered. It represents the current net amount owed to this vendor.

—LAST PAYMENT/PURCHASE DATE AND AMOUNT: These fields are updated when transactions are posted for this vendor.

P-1-3 **3. DELETE A VENDOR.**

USE: To remove a vendor from the Vendor Master List.

P-3

3. CREDIT AND DEBIT MEMOS MENU
1. Record Credit Memos. Page 285.
2. Record Debit Memos. Page 286.
3. Return to Payables Menu.

USE: To record credit and debit memos.

P-3-1

1. RECORD CREDIT MEMOS.

USE: To record credit memos.

PROCEDURE: The following message will appear on your screen: "A credit memo decreases your balance with a vendor. These memos are issued by your vendors to reflect miscellaneous credits to your account. Press RETURN to continue."

Enter the information called for below. To change information entered, press the ESCAPE key to back up and re-enter the information. Press the RETURN key to skip or accept previously entered information.

—VENDOR ID: Enter the vendor ID for this credit memo. The system will display the vendor's name. If this is not the correct vendor, use the ESCAPE key and re-enter the vendor ID.

—CREDIT MEMO DATE: The system will display the sign-on date or the last date entered. To change the date, enter the new month, day and year for the credit memo.

—CREDIT MEMO NUMBER: Enter the credit memo number.

—AMOUNT: Enter the amount for the credit memo.

—NOTE: The system does not require that the credit memo

—VENDOR ID: Enter the vendor ID for the invoice. The system will display the vendor name. If you have entered the wrong vendor ID, use the ESCAPE key and enter a new vendor ID.

—INVOICE DATE: The system will display the sign-on date or the last date entered. To change the date, enter the new month, day and year for the invoice.

—INVOICE NUMBER: Enter the invoice number.

—DUE DATE: The system will display the calculated due date based on the vendor terms. To change the due date, enter the new month, day and year.

—AMOUNT: Enter the amount of the invoice.

—DISCOUNT: The system will calculate the discount available based on the vendor terms. To change the discount amount, enter the new amount.

—DISCOUNT DATE: The system will display the discount date based on the vendor terms. To change the discount date, enter the new month, day and year (if it is within the terms range).

—NOTE: The system does not require that the invoice number be unique. Enter the account number to which to apply the invoice, and the name and amount will be displayed. If the entry is not out of balance, "end" will appear in the account number field. Press RETURN to accept the invoice.

PROCEDURE: Enter the information asked for by the system.

—VENDOR ID: Enter the vendor ID for the vendor you want to delete. The system will display the current vendor information and ask you to confirm that this is the correct vendor. At this point you may press CONTROL A or CONTROL Z, respectively, to go to the next or prior sequential vendor.

NOTE: You cannot delete a vendor that, at month end, has an outstanding balance or pending transactions.

At the prompt "Is this the correct vendor (Y/N)?" make sure this is the vendor you want to delete. At the succeeding prompt, "Delete this vendor (Y/N)?" enter "Y" to remove this vendor's record from your file.

P-1-4 **4. REVIEW VENDOR INFORMATION.**

USE: To review vendor information in the Vendor Master List.

PROCEDURE: Enter the vendor ID for the vendor you want to review. The system will display the current vendor information. At this point you may press CONTROL A or CONTROL Z, respectively, to go to the next or prior sequential vendor.

P-2 **2. RECORD INVOICES.**

USE: To record invoices.

PRODECURE: Enter the information called for below. To edit information entered, press the ESCAPE key to back up and re-enter the information. Press the RETURN key to accept previously entered information.

number be unique. Enter the appropriate account number, and the name and amount will be displayed on the screen. If the entry is not out of balance, "end" will appear in the account number field. Press RETURN to accept the memo.

P-3-2 **2. RECORD DEBIT MEMOS.**

USE: To record debit memos.

PROCEDURE: The following message will appear on your screen: "A debit memo increases your balance with a vendor. These memos are issued by your vendors to reflect miscellaneous charges to your account. Press RETURN to continue."

Enter the information called for below. To change information entered, press the ESCAPE key to back up and re-enter the information. Press the RETURN key to skip or accept previously entered information.

—VENDOR ID: Enter the vendor ID for this debit memo. The system will display the vendor's name. If this is not the correct vendor, use the ESCAPE key and re-enter the vendor ID.

—DEBIT MEMO DATE: The system will display the sign-on date or the last date entered.

—DEBIT MEMO NUMBER: Enter the debit memo number.

—AMOUNT: Enter the amount for the debit memo.

NOTE: The system does not require that the debit memo number be unique. Enter the appropriate account number, and the name and amount will be displayed. If the entry is not out of balance, "end" will appear in the account number field. Press RETURN to accept the memo.

P-4

4. PAYMENTS MENU

1. Create Payments List. Page 287.
2. Print Payments List. Page 288.
3. Edit Payments List. Page 288.
4. Issue Computer Checks. Page 290.
5. Handwritten Checks. Page 290.
6. Return to Payables Menu.

USE: To make payments by computer-generated or handwritten check and to create, edit and print a list of payments made.

P-4-1

1. CREATE PAYMENTS LIST.

USE: To create a list of open invoices for possible payment.

PROCEDURE: Select invoices to be considered by due date, discount date and a range of vendor IDs.

—PAYMENT DATE: Enter the date to appear on the checks.

—DUE ON OR BEFORE: Enter the latest invoice due date you want to include on the Payments List or press RETURN to enter "N/A."

—DISCOUNT ON OR BEFORE: Enter the latest discount date you want to include on the Payments List. If "N/A" was accepted for "Due Date," you must enter a date here.

—FIRST VENDOR ID: If you want to restrict the payment list to a range of vendors, enter a starting vendor ID. Vendors with IDs equal to or greater than this will be included on the payments list. If you press RETURN without entering a vendor ID, your first vendor will be entered automatically.

—LAST VENDOR ID: If you want to restrict the payment list to a range of vendors, enter an ending vendor ID. Vendors outside the range specified by the First and Last Vendor ID will not be selected. If you press RETURN without entering a vendor ID, the last vendor in the file will be entered automatically.

—TAKE LOST DISCOUNTS (Y/N): If you want to take discounts even though the discount date is past, enter "Y."

NOTE: You may select invoices for payment in multiple groups. To do so, create the Payments List using the first group. Then select this option (Create Payments List) again. The system will ask if you want to erase the first Payments List. Enter "N" and the system will add the second range of selected invoices to the existing list.

P-4-2

2. PRINT PAYMENTS LIST.

USE: To obtain a listing of the invoices selected for possible payment by the Create Payments List option. Depending on your computer model, you may have the option of displaying the list on the screen or on a printer.

P-4-3

3. EDIT PAYMENTS LIST MENU

1. Add to Payments List. Page 289.
2. Modify an Entry. Page 289.
3. Delete an Entry. Page 289.
4. Return to Payments Menu.

USE: To modify the invoices selected for payment on the Payments List.

PROCEDURE: You may add, modify or delete invoices to be paid.

P-4-3-1 **1. ADD TO PAYMENTS LIST:** Enter the vendor ID and the invoice number you want to pay. Or you can press the ? key to see a list of all vendors on file. Once you select an invoice number, the system will display the due date, discount date (if applicable), invoice amount and discount amount. If this is a duplicate invoice for the same vendor, press CONTROL N to select the next invoice. Enter the amount you want to pay in "Amount to be Paid." If you elect to partially pay the invoice, the remaining amount will appear in the discount taken; you may override this amount. Enter the discount taken (if different) in "Discount Taken."

P-4-3-2 **2. MODIFY AN ENTRY:** Enter the vendor ID and the invoice number you want to modify. Or you can press the ? key to see a list of all vendors on file. Once you select an invoice number, the system will display the due date, discount date (if applicable), invoice amount and discount available. If this is a duplicate invoice for the same vendor, press CONTROL N to select the next invoice. Enter the new amount you want to pay in "Amount to be Paid."

P-4-3-3 **3. DELETE AN ENTRY:** Enter the vendor ID and the invoice number you want to delete from the list. Or you can press the ? key to see a list of all vendors on file. Once you select an invoice number, the invoice information will appear and the system will ask you to verify that this is the invoice you want to delete. If this is a duplicate invoice for the same vendor, press CONTROL N to select the next invoice. Enter "Y" to delete the invoice from the list, or enter "N" and you will be allowed to enter a new invoice number for this vendor.

P-4-4

4. ISSUE COMPUTER CHECKS.

USE: To print checks for invoices in the Payment List.

PROCEDURE: First you will be shown an information screen and then given the option to print a sample check. Then you may enter the starting check number. When the checks have been printed, you will be given the option to reprint that series of checks. Or you can enter "N" and press ESCAPE to return to the Payments Menu.

P-4-5

5. HANDWRITTEN CHECKS.

USE: To record handwritten checks for invoice payment.

PROCEDURE: Enter the vendor ID for the vendor to whom you wrote the check. The system will display the vendor name for you to verify that you have entered the correct vendor ID.

—DATE: Enter the day you issued the check.

—CASH ACCOUNT: Enter the cash account number on which the check was drawn (if it is different from the default number shown).

—CHECK NUMBER: Enter the check number for the check.

—TRANSACTION NUMBER: Enter the invoice number or debit memo you paid with this check. Press the ? key to see a list of transactions on file for that particular vendor. If this is a duplicate invoice for the same vendor, press CONTROL N to select the next invoice.

—PAID: Enter the amount paid (if it is different from the default value shown).

—DISCOUNT: Enter the amount taken as a discount.

Enter "END" in "Transaction Number" when you have finished entering the invoices and debit memos paid with this check.

NOTE: Multiple invoices or debit memos may be paid with one check by entering additional transaction numbers, the paid amount and the discount taken for each. Enter "END" as the last transaction number entry when you have entered all of the invoices or debit memos paid with the check.

At the prompt "Record this information (Y/N)?" enter "Y" to record the check. If you do so, you must press ESCAPE at the vendor ID field to return to the Payments Menu.

P-5

5. VOID TRANSACTIONS MENU

1. Void Invoices. Page 291.
2. Void Payments. Page 292.
3. Void Credit Memos. Page 292.
4. Void Debit Memos. Page 292.
5. Return to Payables Menu.

P-5-1

1. VOID INVOICES.

USE: To generate reversing entries for invoices canceled or entered in error.

PROCEDURE: Enter the invoice number you want to void. The system will display the information recorded for this invoice number. Verify that this is the invoice you want to void. If two invoices with the same number have been entered and you need to reference one, the system will find the first one and ask you if it is the one you want. If it is not, you can direct it to search for a possible duplicate invoice.

NOTE: Once an invoice is voided, you cannot "unvoid" the invoice.

P-5-2 **2. VOID PAYMENTS.**

USE: To generate reversing entries for payment entries made in error or canceled.

PROCEDURE: Enter the check number for the payment you want to void. Verify that this is the payment you want to void. If this is not the correct check number, you can direct the system to search for a possible duplicate check.

NOTE: Once a payment has been voided, you cannot "unvoid" the payment.

P-5-3 **3. VOID CREDIT MEMOS.**

USE: To remove credit memos entered in error or canceled.

PROCEDURE: Enter the credit memo number you want to void. The system will display the information found for this number. Verify that this is the credit memo you want to void. If two with the same number have been entered and you need to reference one, the system will find the first one and ask you if it is the one you want. If it is not, you can direct it to search for a possible duplicate memo.

NOTE: Once a credit memo has been voided, you cannot "unvoid" it.

P-5-4 **4. VOID DEBIT MEMOS.**

USE: To generate reversing entries for debit memos entered in error or canceled.

PROCEDURE: Enter the debit memo number you want to void. The system will display the information found for this number. Verify that this is the correct debit memo. If two memos with the same number have been entered and you need to reference one, the system will find the first one and ask you if it is the one you want. If it is not, you can direct it to search for a possble duplicate memo.

NOTE: Once a debit memo has been voided, you cannot "unvoid" it.

P-6

6. JOURNALS AND REPORTS MENU

1. Vendor Master List. Page 294.
2. A/P Ledger. Page 294.
3. Payables Detailed G/L. Page 294.
4. Purchases Journal. Page 294.
5. A/P Disbursements Journal. Page 295.
6. Open Invoice Register. Page 295.
7. Cash Requirements Report. Page 295.
8. A/P Check Register. Page 295.
9. A/P Chart of Accounts. Page 295.
10. Vendor Reference List. Page 296.
11. Mailing Labels. Page 296.
12. Return to Payables Menu.

NOTE: Some of these reports can be listed for any month, giving you the option of using an archive data disk for a month other than the current one.

P-6-1 **1. VENDOR MASTER LIST MENU.**

USE: To list vendor information contained in the Add a Vendor Screen.

PROCEDURE: You may list information for all vendors, open-balance vendors, permanent vendors, temporary vendors or vendors within a specific ID range. Depending on your computer model, you may have the option of listing the information to the screen or to a printer.

P-6-2 **2. A/P LEDGER.**

USE: To list monthly activity by vendor.

PROCEDURE: You may list activity for all vendors, open-balance vendors, permanent vendors, temporary vendors or vendors within a specific ID range. Depending on your computer model, you may have the option of listing the information to the screen or to a printer.

P-6-3 **3. PAYABLES DETAILED G/L.**

USE: To list activity for the month by General Ledger account number.

PROCEDURE: Select this option. Depending on your computer model, you may have the option of listing the information to the screen or to a printer.

P-6-4 **4. PURCHASES JOURNAL.**

USE: To list invoices and credit and debit memos entered during the month.

PROCEDURE: Select this option. Depending on your computer model, you may have the option of listing the information to the screen or to a printer.

P-6-5 **5. A/P DISBURSEMENTS JOURNAL.**

USE: To list payments made during this month by bank account and their distribution to invoices.

PROCEDURE: Select this option. Depending on your computer model, you may have the option of listing the information to the screen or to a printer.

P-6-6 **6. OPEN INVOICE REGISTER.**

USE: To list unpaid invoices for vendors.

PROCEDURE: You may list information for all vendors, open-balance vendors, permanent vendors, temporary vendors or vendors within a specific ID range. Depending on your computer model, you may have the option of listing the information to the screen or to a printer.

P-6-7 **7. CASH REQUIREMENTS REPORT.**

USE: To list selected open invoices with calculated discounts and payments.

PROCEDURE: Follow the screen prompts to select open invoices. Depending on your computer model, you may have the option of listing the information to the screen or to a printer.

P-6-8 **8. A/P CHECK REGISTER.**

USE: To list checks written during the month by check number.

PROCEDURE: Select this option. Depending on your computer model, you may have the option of listing the information to the screen or to a printer.

P-6-9 **9. PAYABLES CHART OF ACCOUNTS.**

USE: To list accounts contained in the Accounts Payable Chart of Accounts.

PROCEDURE: Select this option. Depending on your computer model, you may have the option of listing the information to the screen or to a printer.

P-6-10 **10. VENDOR REFERENCE LIST.**

USE: To list all vendors by vendor ID and name for reference while working with the system.

PROCEDURE: Select this option. Depending on your computer model, you may have the option of listing the information to the screen or to a printer.

P-6-11 **11. MAILING LABELS.**

USE: To print mailing labels for selected vendors.

PROCEDURE: You may print labels for all vendors, open-balance vendors, permanent vendors, temporary vendors or vendors within a specific ID range.

P-7

7. POST PAYABLES MENU
1. Mid-Month Posting.
2. Month-End Posting.
3. Year-End Posting.
4. Return to Payables Menu.

USE: To close the books for the period and, optionally, post the Accounts Payable transactions to General Ledger.

PROCEDURE: You may elect a mid-month, month-end or year-end posting. Follow the screen prompts that will guide you through each procedure.

NOTES: The mid-month option is for "disk full" situations. Once you have posted at month's end, the posting month will increment to the next month. At the end of your fiscal year, choose the Year-End Close, not the Month-End Close.

P-8

8. A/P CONFIGURATION MENU

1. Company Name. Page 297.
2. Hardware Information. Page 297.
3. Payables Chart of Accounts. Page 298.
4. Cash Accounts. Page 299.
5. Vendor Terms. Page 299.
6. Posting Configuration. Page 300.
7. Advanced Operating Mode. Page 300.
8. Link/Unlink Payables. Page 301.
9. Return to Payables Menu.

P-8-1

1. COMPANY NAME.

USE: The company name entered here will be printed at the top of all reports.

PROCEDURE: Enter your company name as you want it displayed.

P-8-2 **2. HARDWARE INFORMATION.**

USE: To specify the printer you are using. Refer to the section called "Hardware Configuration: Printers" in your *Hardware Booklet.*

P-8-3

3. PAYABLES CHART OF ACCOUNTS MENU

1. Add Accounts.	Page 298.
2. Modify an Account Name.	Page 298.
3. Delete an Account.	Page 299.
4. Return to Configuration Menu.	

P-8-3-1 **1. ADD ACCOUNTS.**

USE: To add General Ledger accounts to the Accounts Payable Chart of Accounts.

PROCEDURE: Enter the account number and title for each account. The system will pause after 10 entries to record the information to your data disk.

P-8-3-2 **2. MODIFY AN ACCOUNT NAME.**

USE: To change an account name in the Payables Chart of Accounts.

PROCEDURE: Enter the account number for the account name you want to change, and the system will display the current name. Enter the new name and enter "Y" to the prompt "Record this information (Y/N)?" or press the ESCAPE key to return to the account number field.

NOTE: You can view a list of your current Payables Chart of Accounts by pressing the ? key in the first position for the account number.

P-8-3-3 **3. DELETE AN ACCOUNT.**

USE: To remove an account from the Payables Chart of Accounts.

PROCEDURE: Enter the account number you want to delete. The system will display the account name and ask you to verify that this is the correct account.

NOTE: You cannot delete the accounts specified during Startup as the Cash Account(s), Accounts Payable or Purchase Discounts. This must be done immediately after month-end posting. Nothing may have been recorded during the current month.

P-8-4 **4. CASH ACCOUNTS.**

USE: To specify which accounts in the Payables Chart of Accounts are to be used as Cash accounts.

PROCEDURE: Enter the account number for each of your Cash accounts.

NOTE: These accounts must have already been set up in the Payables Chart of Accounts. You may have a maximum of three cash accounts. Once these accounts are specified, you cannot delete or change them.

P-8-5 **5. VENDOR TERMS.**

USE: To enter and modify terms of payment and discounts allowed by vendors.

PROCEDURE: Enter the reference number for the terms you want to enter or modify.

P-8-8 **8. LINK/UNLINK PAYABLES?**

USE: To tell the system whether you want to have the Accounts Payable transactions automatically posted to General Ledger.

NOTE: Except in Startup, when it is not available, you can unlink Accounts Payable at any time; however, any transactions that have been entered will have to be manually transferred to General Ledger. To link the systems requires that no transactions have been posted to Accounts Payable for the month, that both systems are processing the same month and that you have not already done a mid-month posting of your Payables accounts..

P-9 **9. COPY DISKS**

USE: To make backup copies of your data disks.

PROCEDURE: With a blank disk at hand, follow the screen prompts to make backup copies.

P-10 **10. QUIT PAYABLES.**

USE: To exit the system.

—DESCRIPTION: Enter a brief description for the terms conditions for this field; for example, "2% 10-NET 30" for a 2 percent discount if paid in 10 days, else net invoice amount in 30 days.

—NET PAYMENT DUE: Terms may call for net payment by a specific day of the month or within a certain number of days. Enter the day of the month in "Net: Date Due" if the terms call for payment by a day of the month. Enter the number of days in "Net: Days Until Due" if the terms call for payment within a number of days.

—DISCOUNT: Terms may grant a discount if payment is made by a day of the month or within a number of days. Enter the day of the month in "Discount: Date Due" if the terms grant a discount if payment is made by a day of the month. Enter the number of days in "Discount: Days Until Due" if the terms grant a discount if payment is made within a number of days.

—DISCOUNT PERCENTAGE: Enter the discount percentage, if applicable.

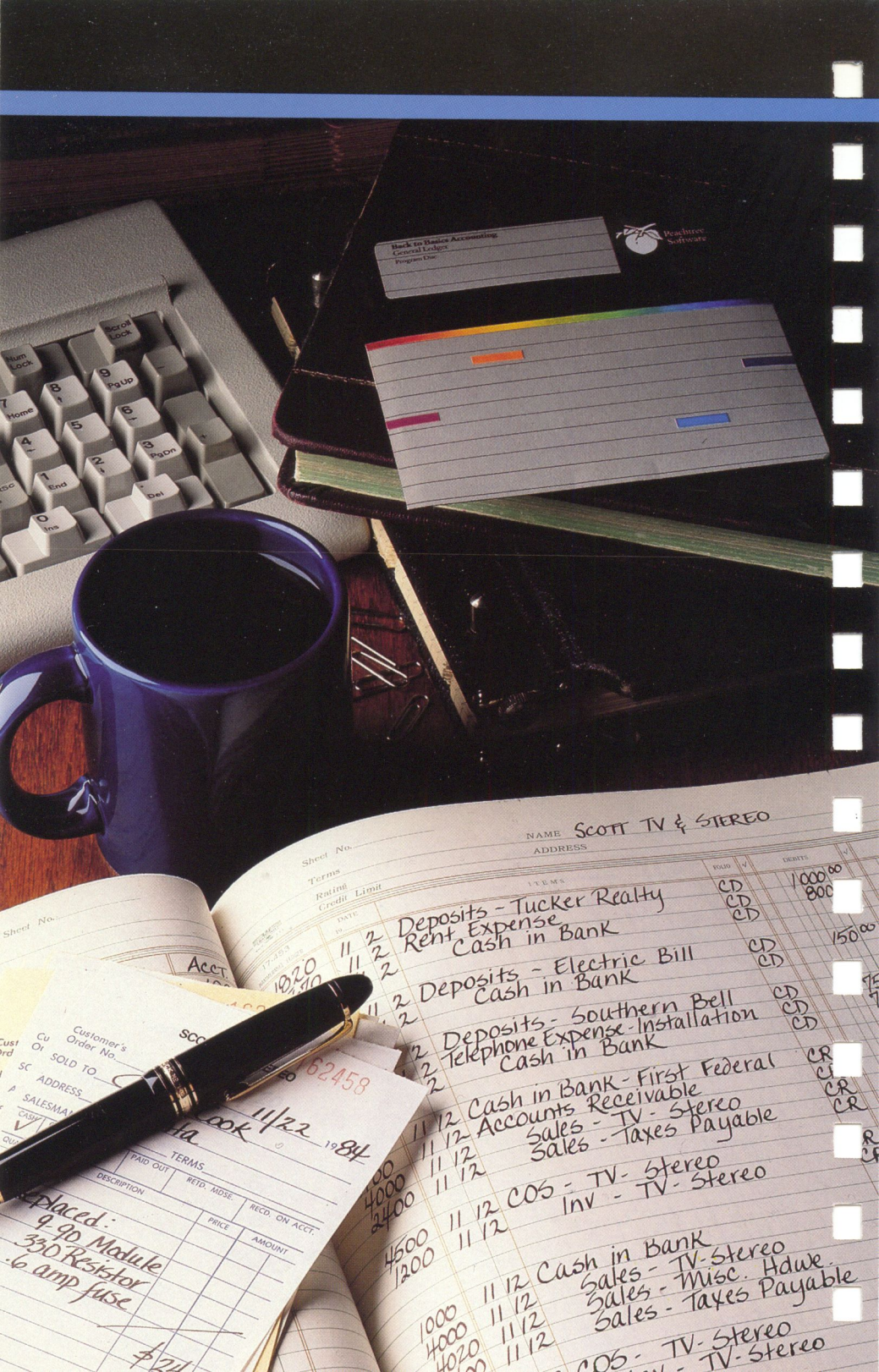
P-8-6 **6. POSTING CONFIGURATION.**

USE: To specify reports you want prepared during month-end posting.

PROCEDURE: Enter "Y" next to those reports you want prepared, and enter "N" for those you do not want prepared. At the prompt "Record this Information (Y/N?)" enter "Y" to record this information to your data disk.

P-8-7 **7. ADVANCED OPERATING MODE.**

USE: To speed processing by providing a "Y" default to on-screen queries.


Back to Basics Accounting
General Ledger
Program Disc
Peachtree Software
Num Lock
Scroll Lock
Home
PgUp
End
PgDn
Del
Ins
Sheet No.
Terms
Rating
Credit Limit
NAME Scott TV & Stereo
ADDRESS
DATE
ITEMS
POST. REF.
DEBITS
CREDITS
11 2 Deposits - Tucker Realty CD 1000 00
11 2 Rent Expense CD 800 00
11 2 Cash in Bank CD 150 00
11 2 Deposits - Electric Bill CD
11 2 Cash in Bank CD
11 2 Deposits - Southern Bell CD
11 2 Telephone Expense - Installation CD
11 2 Cash in Bank CD
11 12 Cash in Bank - First Federal CR
11 12 Accounts Receivable CR
11 12 Sales - TV - Stereo CR
11 12 Sales - Taxes Payable CR
11 12 COS - TV - Stereo
11 12 Inv - TV - Stereo
11 12 Cash in Bank
11 12 Sales - TV - Stereo
11 12 Sales - Misc. Hdwe.
11 12 Sales - Taxes Payable
11 12 COS - TV - Stereo
11 12 Inv - TV - Stereo
Customer's Order No.
SOLD TO
ADDRESS
SALESMAN
CASH
62458
11/22 1984
TERMS
PAID OUT
RETD. MDSE.
DESCRIPTION
PRICE
RECD. ON ACCT.
AMOUNT
Replaced:
9.90 Module
330 Resistor
.6 amp fuse

5

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352 OWNER'S EQUITY ENTRIES

The Business Situations section was written by Deborah H. Turner in association with Dr. Roger H. Hermanson.

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The following examples represent a generally accepted accounting approach to the given fact situations. In no way should these be viewed as the only solutions, since other accounting procedures may better meet your particular needs.

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Special Note: Throughout the "Business Situations" section that follows, an asterisk (*) indicates an account that is not contained in, and therefore must be added to, the standard Chart of Accounts.

Services for Cash

SITUATION: The business performs services for cash.

EXAMPLE: The business performs a delivery service for a customer and receives $100 cash. (Note: This example assumes that there is no sales tax on services performed.)

ENTRY:

Dr. Cash in Bank	$100	
Cr. Service Revenue		$100

METHOD: This entry can be made through the Cash Receipts Journal, the Cash Sales Journal or the General Journal. The Cash Sales Journal would usually be used if the business is operating with a cash register and wants to use the cash reconciliation feature of the Cash Sales Journal.

Services on Account

SITUATION: The business performs services on account (for credit).

EXAMPLE: The business performs a delivery service for a customer who agrees to pay $500 at a later date.

ENTRY:

Dr. Accounts Receivable	$500	
Cr. Service Revenue		$500

METHOD: This entry can be made through the General Journal or through the Accounts Receivable module.

Collection of Accounts Receivable

SITUATION: The business makes collections on customer accounts.

EXAMPLE: A payment of $500 is collected from the customer who received delivery services in the previous example.

ENTRY:

Dr. Cash in Checking	$500	
Cr. Accounts Receivable		$500

METHOD: (1) This entry can be made through the Cash Receipts Journal or the General Journal. (2) If the entry to record the original account receivable was made through the Accounts Receivable module, then the subsequent collection should also be made through the Accounts Receivable module.

Cash Purchase of Equipment

SITUATION: The business makes purchases of equipment for cash.

EXAMPLE: Office equipment costing $7,000 is purchased by issuing a check.

ENTRY:

Dr. Machinery & Equipment	$7,000	
Cr. Cash in Bank		$7,000

METHOD: This entry can be made through the Cash Disbursements Journal or the General Journal.

NOTE: This same format can be used to record the purchase of any long-lived asset such as a building, land or furniture and fixtures.

Purchase of Machinery on Account

SITUATION: The business makes purchases of machinery on account (for credit).
EXAMPLE: Machinery costing $12,000 is purchased on account.

ENTRY:

Dr. Machinery & Equipment	$12,000	
Cr. Accounts Payable		$12,000

METHOD: The entry can be made through the Accounts Payable module or through the General Journal.

NOTE: This same format can be used to record the purchase of any long-lived asset such as a building, land or furniture and fixtures.

Payments on Accounts Payable

SITUATION: The business makes payments on vendor accounts.

EXAMPLE: A payment of $8,000 is made to the vendor who sold you the machinery costing $12,000. (See previous example.)

ENTRY:

Dr. Accounts Payable	$8,000	
Cr. Cash in Bank		$8,000

METHOD: (1) The entry can be made through the the Cash Disbursements Journal or the General Journal. (2) If the entry to record the original account payable was made through the Accounts Payable module, then the subsequent payment should also be made through the Accounts Payable module.

Employee Payroll

SITUATION: The business pays salaries and wages.

EXAMPLE: The gross monthly payroll of the business is $5,000. The following amounts were withheld from employees: federal income taxes, $1,000; state income taxes, $250; FICA taxes, $300. (Note: All amounts are assumed.)

Entries to record payroll:

Dr. Salaries & Wages Expense	$5,000	
Cr. Federal Withholding Taxes Payable		$1,000
Cr. State Withholding Taxes Payable		250
Cr. FICA Taxes Payable		300
Cr. Accrued Payroll		3,450

Entries to record payment to employees:

Dr. Accrued Payroll	$3,450	
Cr. Cash–Payroll Account		$3,450

NOTE: (1) The above entries could be combined if payment to

employees is made at the time the payroll is recorded. (2) The business may prefer to use a separate cash account for payroll. In that case, the "Cash in Bank" account above would be replaced by the appropriate payroll cash account.

METHOD: (1) The first entry can be made through the General Journal and the second entry made through the Cash Disbursements Journal, or (2) both entries can be made through the General Journal.

Payroll Taxes

SITUATION: The business incurs payroll taxes.

EXAMPLE: Payroll taxes on the monthly payroll (previous example) were: FICA taxes, $300; federal unemployment taxes, $100; and state unemployment taxes, $200. (All amounts are assumed. The FICA taxes are the employer's share of these taxes.)

ENTRY:

Dr. Taxes—Payroll	$600	
Cr. FICA Taxes Payable		$300
Cr. *Federal Unemployment Taxes Payable		100
Cr. *State Unemployment Taxes Payable		200

METHOD: This entry can be made through the General Journal.

Payroll Remittances

SITUATION: The business remits employee withholdings and payroll taxes.

EXAMPLE: The withholdings from employees and the employer's payroll taxes in the two previous examples are remitted to the appropriate authorities.

ENTRY:

Dr. Federal Withholding Taxes Payable	$1,000	
Dr. State Withholding Taxes Payable	250	
Dr. FICA Taxes Payable	600	
Dr. *Federal Unemployment Taxes Payable	100	
Dr. *State Unemployment Taxes Payable	200	
Cr. Cash—Payroll Account		$2,150

NOTE: The "FICA Taxes Payable" account includes both the employees' and the employer's share of the FICA taxes.

METHOD: This entry can be made through the General Journal or the Cash Disbursements Journal.

Cash Expenses SITUATION: The business incurs cash expenses.

EXAMPLE: The current month's rent of $500 is paid for the retail space used by the business.

ENTRY:

Dr. Rent Expense	$500	
Cr. Cash in Bank		$500

METHOD: This entry can be made through the Cash Disbursements Journal or the General Journal.

NOTE: The above approach could be used for any type of expense that is paid when incurred—that is, not recorded as an account payable first.

RETAIL BUSINESS: RECURRING ENTRIES

Sales on Account

SITUATION: The business makes sales on account (for credit).

EXAMPLE: The business sells merchandise to a customer who agrees to pay $700 at a later date.

ENTRY:

Dr. Accounts Receivable	$700	
Cr. Sales		$700

METHOD: This entry can be made through the Accounts Receivable module or through the General Journal.

Sales Discounts

SITUATION: The business allows sales discounts.

EXAMPLE: A sale on account of $1,000 is made on May 12 with terms of 2/10, net 30.

NOTE: These terms mean that the buyer may take a discount of 2 percent of the gross invoice price of the merchandise if payment is made within 10 days following the invoice date. Otherwise, the gross invoice price is due 30 days from the invoice date.

Entry to record sale:

Dr. Accounts Receivable	$1,000	
Cr. Sales Revenue		$1,000

Entry to record collection on account, less discount:

Dr. Cash in Bank	$ 980	
Dr. Sales Discounts	20	
Cr. Accounts Receivable		$1,000

NOTE: The "Sales Discounts" account is a contra revenue account to Sales and is shown as a reduction to Sales in the Income Statement.

METHOD: (1) Both entries can be made through the General Journal, (2) the first entry can be made in the General Journal and the second entry made through the Cash Receipts Journal, or (3) both entries can be made through the Accounts Receivable module.

Sales Returns and Allowances

SITUATION: The business allows sales returns and allowances.

EXAMPLE: An allowance of $200 is granted to a customer for merchandise damaged in shipping.

ENTRY:

Dr. Sales Returns/Allowances	$200	
Cr. Accounts Receivable		$200

NOTE: The "Sales Returns and Allowances" account is a contra revenue account to Sales and is shown as a reduction to Sales in the Income Statement.

METHOD: This entry can be made through the Accounts Receivable module or through the General Journal. If the entry to record the original sale was made through the Accounts Receivable module, this adjustment entry should also be made through the Accounts Receivable module.

Sales Tax

SITUATION: The business charges sales tax on sales.

EXAMPLE: A credit sale of $500 is subject to sales tax of 4 percent.

ENTRY:

Dr. Accounts Receivable	$520	
Cr. Sales Revenue		$500
Cr. Sales Tax Payable		20

METHOD: (1) This entry can be made through the Accounts Receivable module, or (2) it can be made through the General Journal. If the Accounts Receivable module is used, sales tax will be automatically calculated if the user has specified that sales tax be computed for this sales account. If the General Journal is used, sales tax must be calculated manually.

Layaway Sales

SITUATION: The business makes sales on a layaway basis.

EXAMPLE: A customer puts merchandise with a sales price of $100 on layaway and makes a deposit of $10. The customer will receive the merchandise when the full sales price is paid.

Entry to record deposit:

Dr. Cash in Bank	$10	
Cr. Layaway Deposits		$ 10

Entry to record payment of balance:

Dr. Cash in Bank	$90	
Dr. Layaway Deposits	10	
Cr. Sales Revenue		$100

EXPLANATION: When a customer makes a layaway deposit, a liability is created on the seller's books. Until the customer receives the merchandise, no sale has been made. When the customer pays the balance on a layaway item, the sale is complete. The revenue (Sales Revenue) is then recognized, and the liability (Layaway Deposits) is canceled.

METHOD: Both entries can be made through the Cash Receipts Journal or the General Journal.

Periodic Inventory Procedure

SITUATION: The business uses the periodic inventory procedure.

EXPLANATION: The periodic inventory procedure is a

method of accounting for inventory where the cost of the goods sold during the period and the ending inventory balance are determined only at the end of the period. This procedure is used when the inventory consists of items with low unit values. Separate accounts are maintained for merchandise purchases, purchase discounts, purchase returns and allowances and transportation in. These accounts, along with the beginning and ending inventory balances, are used to compute the cost of goods sold for the period. The ending inventory balance is determined by actual physical count, since a continuous balance is not maintained on merchandise inventory. The computation of cost of goods sold is as follows:

Beginning Inventory + Net Cost of Purchases = Cost of Goods Available for Sale

Cost of Goods − Ending Inventory = Cost of Goods Sold Available for Sale

EXAMPLE: The books show the following account balances:

Merchandise Purchases	$100,000
Purchase Discounts	2,000
Purchase Returns/Allowances	1,000
Transportation—In	5,000
Inventory (beginning)	10,000

The ending inventory, determined by actual physical count, is $20,000.

Entry to record cost of goods available for sale:

Dr. *Cost of Goods Sold	$112,000	
Dr. Purchase Discounts	2,000	
Dr. Purchase Returns/Allowances	1,000	
Cr. Merchandise Purchases		$100,000
Cr. Inventory (beginning)		10,000
Cr. Transportation—In		5,000

Entry to deduct ending inventory:

Dr. Inventory (ending)	$20,000	
Cr. *Cost of Goods Sold		$20,000

EXPLANATION: The first entry closes all the purchase-related accounts and the beginning inventory into the account "Cost of Goods Sold." This account does not really represent the cost of the goods sold until the second entry has been made. The second entry deducts the ending inventory from the cost of the goods available for sale, resulting in the final cost-of-goods-sold amount. These entries should both be made at the end of the period.

METHOD: Both entries can be made through the General Journal.

Perpetual Inventory Procedure

SITUATION: The business uses the perpetual inventory procedure.

EXPLANATION: The perpetual inventory procedure is a method of accounting for inventory where the cost of merchandise sold is determined after each sale is made, not at the end of the period, as with the periodic inventory method. The balance in the inventory account is always the amount of merchandise

that should be on hand. The perpetual inventory procedure provides greater control over goods and would normally be used with items of high unit value. All entries relating to the purchase of merchandise are entered in the inventory account, and the inventory account is reduced when a sale of merchandise is made.

EXAMPLE: A shipment of five television sets is received, each with a cost of $200. The freight cost for this shipment is $25. Later, one television is sold to a customer on account for $300.

Entry to record purchase of merchandise:

Dr. Inventory	$1,025	
Cr. Accounts Payable		$1,025

Entries to record sale:

Dr. Accounts Receivable	$ 300	
Cr. Sales Revenue		$ 300
Dr. *Cost of Goods Sold	$ 205	
Cr. Inventory		$ 205

EXPLANATION: The purchase of merchandise is entered directly in the inventory account as shown in the first entry. After the sale is recorded at the sales price, the cost of the merchandise must be deducted from the inventory account, as shown in the third entry. The cost of the set is calculated as follows: [($200 x 5) + $25] / 5 = $205.

METHOD: (1) The first entry can be made through the Accounts Payable module, the second through the Accounts Receivable module and the third through the General Journal, or (2) all entries can be made through the General Journal.

Purchase of Merchandise

SITUATION: The business makes merchandise purchases.

EXAMPLE: Merchandise costing $5,500 is purchased on account.

ENTRY:

Dr. Merchandise Purchases	$5,500	
Cr. Accounts Payable		$5,500

NOTE: This entry is only appropriate when using the periodic inventory procedure. See "Perpetual Inventory Procedure" for the entry to record merchandise purchases using the perpetual method.

METHOD: This entry can be made through the Accounts Payable module or through the General Journal.

Purchase Discounts

SITUATION: The business takes purchase discounts.

EXAMPLE: A purchase on account of $2,000 is made on June 12 with terms of 2/10, net 30.

NOTE: These terms mean that the buyer may take a discount of 2 percent of the gross invoice price of the merchandise if payment is made within 10 days following the invoice date. Otherwise, the gross invoice price is due 30 days from the invoice date.

Entry to record purchase:

Dr. Merchandise Purchases	$2,000	
Cr. Accounts Payable		$2,000

Entry to record payment on account, less discount:

Dr. Accounts Payable	$2,000	
Cr. Cash in Bank		$1,960
Cr. Purchase Discounts		40

NOTE: The "Vendor Discounts Taken" account is a contra account to Merchandise Purchases and is shown as a reduction to Merchandise Purchases in the Income Statement. This account is often called "Purchase Discounts."

METHOD: (1) The first entry can be made in the General Journal and the second through the Cash Disbursements Journal, (2) both entries can be made through the Accounts Payable module, or (3) both entries can be made through the General Journal.

NOTE: An alternative method of recording purchase discounts is the net price procedure. This method records purchases net of the available discount. If the discount is not taken, the amount of the discount can be recorded in an account set up and called Discounts Lost when the gross invoice payment is made. The Discounts Lost account should be an expense on the Income Statement. If the perpetual inventory method is used, the net price procedure is preferable. The net price procedure is not illustrated here.

Purchase Returns and Allowance

SITUATION: The business returns merchandise it has purchased or is granted an allowance (reduction in amount owed) because of unsatisfactory merchandise.

EXAMPLE: Merchandise purchased on account for $300 is returned to the seller because it was not satisfactory.

ENTRY:

Dr. Accounts Payable	$300	
Cr. Purchase Returns/Allowances		$300

NOTE: The "Purchase Returns/Allowances" account is a contra account to Merchandise Purchases and is shown as a reduction to Purchases in the Income Statement.

METHOD: This entry can be made through the Accounts Payable module or through the General Journal. If the entry to record the original purchase is made through the Accounts Payable module, this adjustment entry should also be made through the Accounts Payable module.

Transportation—In

SITUATION: The business incurs transportation costs in acquiring merchandise inventory.

EXAMPLE: The shipping cost billed to you on a recent shipment of merchandise is $200. This amount will be paid later.

ENTRY:

Dr. Transportation—In	$200	
Cr. Accounts Payable		$200

NOTE: Transportation—In is a cost of obtaining the merchandise inventory. This cost should be included with purchases and related accounts in determining the cost of goods sold on a periodic inventory basis. If the perpetual inventory method is used, this cost would be charged directly to the inventory account rather than to a separate transportation—in account.

METHOD: This entry can be made through the Accounts Payable module or through the General Journal.

Transportation—Out

SITUATION: The business incurs transportation costs in delivering merchandise to customers.

EXAMPLE: Freight cost paid to ship goods to customers is $150.

ENTRY:

Dr. Freight Expense	$150	
Cr. Cash in Bank		$150

NOTE: "Freight Expense" can also be called transportation—out or delivery expense. It is not a cost of merchandise inventory. Instead, transportation—out is a selling expense and should be shown on the Income Statement among other similar expenses.

METHOD: This entry can be made through the Cash Disbursements Journal or through the General Journal.

Prepaid Insurance

SITUATION: The business pays for insurance in advance.

EXAMPLE: An annual insurance premium of $1,200 is paid at the beginning of the accounting period.

Entry to record payment of premium:

Dr. Prepaid Insurance	$1,200	
Cr. Cash in Bank		$1,200

Entry to record monthly expense:

Dr. Insurance Expense	$ 100	
Cr. Prepaid Insurance		$ 100

EXPLANATION: When an expense such as insurance is paid in advance, an asset is created. As time passes, the asset expires and becomes an expense. The second entry above reflects the using up (expiration) of the asset. At the end of 12 months, the balance in the Prepaid Insurance account will be zero if there are no other insurance premiums paid in advance. This zero balance would indicate that the asset had completely expired and 12 months' insurance expense had been recognized.

METHOD: (1) All entries can be made through the General Journal, (2) the premium payment entry can be made through the Cash Disbursements Journal and the monthly expense entries made through the General Journal, or (3) the premium payment entry can be made through the Cash Disbursements Journal and then an entry can be set up in the Automatic Journal Entries for the monthly expense entries.

NOTE: (1) If the Automatic Journal Entries approach is used, remember to remove the entry from the automatic entries at the end of the year. (2) The approach outlined above can be used for

many types of prepaid expenses such as prepaid rent, interest or advertising.

Prepaid Rent

SITUATION: The business pays for rent in advance.

EXAMPLE: An annual rent payment of $2,400 is paid at the beginning of the accounting period.

Entry to record payment of rent:

Dr. *Prepaid Rent	$2,400	
Cr. Cash in Bank		$2,400

Entry to record monthly expense:

Dr. Rent Expense	$ 200	
Cr. *Prepaid Rent		$ 200

EXPLANATION: When an expense such as rent is paid in advance, an asset is created. As time passes, the asset expires and becomes an expense. The second entry above reflects the using up (expiration) of the asset. At the end of 12 months, the balance in the Prepaid Rent account will be zero if there are no other rent payments made in advance. This zero balance would indicate that the asset had completely expired and 12 months' rent expense had been recognized.

METHOD: (1) The payment entry can be made through the Cash Disbursements Journal and the monthly expense entries can be made through the General Journal, (2) the payment entry can be made through the Cash Disbursements Journal and then

an entry can be set up in the Automatic Journal Entries for the monthly expense entries, or (3) all entries can be made through the General Journal.

NOTE: (1) If the Automatic Journal Entries approach is used, remember to remove the entry from the automatic entries at the end of the year. (2) The approach outlined above can be used for many types of prepaid expenses such as prepaid insurance, interest or advertising.

Supplies

SITUATION: The business purchases supplies in advance.

EXAMPLE: At the beginning of the period, supplies are purchased for cash of $2,000. At the end of the period, an actual physical count shows that $500 of supplies are on hand.

Entry to record the purchase:

Dr. *Supplies on Hand	$2,000	
Cr. Cash in Bank		$2,000

Entry to record the supplies usage:

Dr. *Supplies Expense	$1,500	
Cr. *Supplies on Hand		$1,500

NOTE: The supplies expense is the difference between the amount purchased ($2,000) and the amount remaining on hand at the end of the period ($500).

METHOD: (1) The first entry can be made through the Cash

Disbursements Journal and the second through the General Journal, or (2) both entries can be made through the General Journal.

NOTE: Sometimes supplies will be bought and completely used up within the same accounting period. If this is the case, it is easier to debit the expense (rather than the asset) at the time of the purchase. This approach avoids the need to make the adjusting entry at the end of the period.

Depreciation

SITUATION: The business incurs depreciation on its long-lived assets.

EXAMPLE: A machine used in the business has an original cost of $13,000, a life of 5 years, and an estimated salvage value of $1,000. The business uses the straight-line method of depreciation. Depreciation expense is to be recorded monthly.

ENTRY:

Dr. Depreciation Expense	$200	
Cr. Accumulated Depreciation		$200

NOTE: The monthly depreciation was calculated as follows:

$$\text{Monthly depreciation} = \frac{\text{Cost} - \text{Estimated salvage value}}{\text{Number of months of useful life}}$$

$$= \frac{\$13{,}000 - \$1{,}000}{60 \text{ months}} = \$200$$

METHOD: (1) This entry can be made monthly through the General Journal, or (2) this entry can be set up in the Automatic Journal Entries, which will make the entry every month.

NOTE: If the Automatic Journal Entries approach is used, the entry must be removed at the end of the asset's life (that is, at the end of five years).

Accrued Assets: Accounts Receivable

SITUATION: The business has assets such as accounts receivable that must be accrued.

EXAMPLE: At the end of the month, the business has performed $1,500 of delivery services on account. These customers have not yet been billed.

ENTRY:

Dr. Accounts Receivable	$1,500	
Cr. Service Revenue		$1,500

NOTE: (1) In most cases, the business would not record accounts receivable until the actual billing process had been performed. Because the services have been performed, the business has earned this revenue and should reflect that fact in the accounts. The entry above records the revenue earned and accrues the asset, accounts receivable of $1,500, which has not yet been recorded. (2) When these accounts receivable are actually billed, do not record the accounts receivable and service revenue again. This would result in an overstatement of these accounts.

METHOD: This entry can be made through the General Journal.

Accrued Assets: Interest Receivable

SITUATION: The business has assets such as interest receivable that must be accrued.

EXAMPLE: At the end of the month, interest on a loan to a customer (see "Notes Receivable" for an example of such a loan) has earned interest of $200, although an interest payment is not due until the first of the next month.

Entry to record accrued interest:

Dr. *Account Receivable—Interest	$200	
Cr. Interest Revenue		$200

Entry to record receipt of interest (next month):

Dr. Cash in Bank	$200	
Cr. *Accounts Receivable—Interest		$200

NOTE: The first entry should be made because the interest revenue has been earned before the actual payment of interest has been received.

METHOD: (1) The first entry can be made through the General Journal and the second through the Cash Receipts Journal, or (2) both entries can be made through the General Journal.

NOTE: The approach outlined above can be used for many types of accrued assets, such as accrued rent receivable and commissions receivable.

Accrued Liabilities

SITUATION: The business has liabilities that must be accrued.

EXAMPLE: Salaries and wages since the last payday amount to $1,000. These have not been paid as of the last day of the month.

ENTRY:

Dr. Salaries & Wages	$1,000	
Cr. Salaries & Wages Payable		$1,000

NOTE: (1) Although these salaries and wages are not due to be paid until the next payday, the employees have earned these amounts. Therefore, the business has an unrecorded expense as of the end of the month that should be recorded. (2) When the next payroll is paid, the entry should be reduced by the amount already recorded above. Otherwise, there would be an overstatement of both of these accounts.

METHOD: This entry can be made through the General Journal.

Unearned Revenues

SITUATION: The business receives assets before they are earned.

EXAMPLE: A payment of $3,000 is received from a customer for delivery services to be performed in the future.

Entry to record cash receipt:

Dr. Cash in Bank	$3,000	
Cr. *Unearned Service Revenue		$3,000

Entry to record performance of service:

Dr. *Unearned Service Revenue	$3,000	
Cr. *Service Revenue		$3,000

EXPLANATION: When cash is received from a customer in advance of a service being performed, a liability is created. Until the service has been performed, the business is obligated to either provide the service or return the customer's money. The first entry above records this obligation in the liability account "Unearned Service Revenue." When the service is performed, the obligation is canceled and revenue is earned. The second entry above reduces the liability to zero and records the revenue that has now been earned.

METHOD: (1) The first entry can be made through the Cash Receipts Journal and the second through the General Journal, or (2) both entries can be made through the General Journal.

Reversing Entries

SITUATION: The business uses reversing entries.

EXAMPLE: Assume that an adjusting entry was made at the end of last period to record interest expense of $1,000 incurred but not yet paid. At the beginning of this period, a reversing entry for this item is to be made.

Entry to record interest expense (made last period):

Dr. Interest Expense	$1,000	
Cr. *Accrued Interest Payable		$1,000

Entry to reverse interest accrual (made this period):

Dr. *Accrued Interest Payable	$1,000	
Cr. Interest Expense		$1,000

Entry to record interest payment (made this period):

Dr. Interest Expense	$1,000
Cr. Cash in Bank	$1,000

EXPLANATION: Reversing entries reverse the effects of adjusting entries such as the interest accrual made in the prior period. The purpose of a reversing entry is to relate the first entry to that same item in the next accounting period. The entry to record the interest payment can be made like other interest payments, that is, by debiting interest expense rather than accrued interest payable. Reversing entries are optional and only relate to bookkeeping technique.

METHOD: (1) The adjusting and reversing entries can be made through the General Journal and the interest payment can be made through the Cash Disbursements Journal, or (2) all entries can be made through the General Journal.

[redacted] ASSETS: ADDITIONAL ENTRIES

Bank Reconciliation Entries

SITUATION: The business must make bank reconciliation entries.

EXAMPLE: After reconciling the monthly bank statement, the following items must be recorded on the books:

1. Bank service and collection charges	$ 25
2. NSF check from customer	140
3. Interest earned on checking account	15

ENTRIES:

(1) Dr. *Bank Charges	$ 25	
Cr. Cash in Bank		$ 25
(2) Dr. Accounts Receivable	$140	
Cr. Cash in Bank		$140
(3) Dr. Cash in Bank	$ 15	
Cr. Interest Revenue		$ 15

NOTE: These three entries could be combined and the net change in cash (a reduction of $150, in this case) recorded.

METHOD: These entries can be made through the General Journal.

Cash Over/Short

SITUATION: The business has discrepancies in the cash on hand.

EXAMPLE: At the end of the day, the total of the cash register tape is $530. The actual cash count is $525. The shortage of $5 must be recorded along with the cash sales. (Assume no sales tax in this example.)

ENTRY:

Dr. Cash in Bank	$525	
Dr. Cash Over/Short	5	
Cr. Sales Revenue		$530

METHOD: This entry can be made through the General Journal, Cash Receipts Journal or Cash Sales Journal. The Cash Sales Journal provides a format to automatically reconcile differences in cash on hand and cash register totals.

Petty Cash Established

SITUATION: The business establishes a petty cash fund.

EXAMPLE: A petty cash fund of $200 is to be set up.

	ENTRY:	
Dr. *Petty Cash	$200	
Cr. Cash in Bank		$200

NOTE: (1) A check is issued to cash or the fund cashier. The check is cashed and the money turned over to the fund cashier to maintain. (2) If the account "Cash on Hand" is not being used for cash sales, then this account can replace the account "Petty Cash" indicated above.

METHOD: This entry can be made through the Cash Disbursements Journal or through the General Journal.

Petty Cash Replenished

SITUATION: The business replenishes the petty cash fund.

EXAMPLE: The petty cash fund of $200 (see previous example) has a money balance of $25 and needs to be replenished. A summary of the petty cash vouchers (receipts) shows payments of $75 for postage stamps, $40 for delivery fees (office expenses) and $60 for miscellaneous expense items.

ENTRY:

Dr. Postage Expense	$75	
Dr. Office Expense	40	
Dr. Miscellaneous Expense	60	
Cr. Cash in Bank		$175

NOTE: To replenish the petty cash fund, a check is issued to cash or the fund cashier. This check is cashed and the money placed in the petty cash fund to return the actual cash balance to its original balance ($200 in this case).

METHOD: This entry can be made through the Cash Disbursements Journal or through the General Journal.

Bad Debts: Percentage-of-Sales Method

SITUATION: The business estimates bad debts using the percentage-of-sales method.

EXAMPLE: The business estimates its bad debt expense to be 1 percent of sales. This estimate is based on prior experience. Credit sales for the year are $50,000. At the end of the year bad debt expense needs to be recorded.

ENTRY:

Dr. Bad Debts Expense	$500	
Cr. Allowance for Bad Debts		$500

EXPLANATION: The percentage-of-sales method of estimating bad debts is based upon prior years' experience. Using past experience, it is possible to reasonably estimate the current

period's bad debts by looking at the ratio of prior years' actual bad debt losses to prior years' credit sales. The "Allowance for Bad Debts" account is a contra asset account to accounts receivable. The allowance is credited, rather than directly crediting accounts receivable, because the specific uncollectible customer accounts are not known. The allowance will be reported as a reduction from accounts receivable on the Balance Sheet.

METHOD: This entry can be made through the General Journal.

Bad Debts: Percentage-of-Receivables Method

SITUATION: The business estimates bad debts using the percentage-of-receivables method.

EXAMPLE: At the end of the year the balance in accounts receivable is $30,000. It is estimated that 5 percent of these receivables will be uncollectible. The allowance for bad debts presently has a credit balance of $500.

ENTRY:

Dr. Bad Debts Expense	$1,000	
Cr. Allowance for Bad Debts		$1,000

EXPLANATION: The percentage-of-receivables method estimates the desired balance in the allowance for bad debts by looking only at those accounts that remain uncollected at the end of the period, that is, the accounts receivable balance at the end of the period. In this case, the desired allowance is estimated to be $1,500. Since there is already a credit balance in the allowance of $500, the increase to the allowance is only $1,000, as shown in this entry. After the entry above, the balance in the

allowance will be a credit of $1,500. The "Allowance for Bad Debts" account is a contra asset account to accounts receivable. The allowance is credited rather than directly crediting accounts receivable because the specific uncollectible customer accounts are not known. The allowance will be reported as a reduction from accounts receivable on the Balance Sheet.

METHOD: This entry can be made through the General Journal.

Accounts Receivable Write-Off

SITUATION: The business writes off accounts receivable.

EXAMPLE: The business has identified the account of one customer, Bob Jones, to be uncollectible. His accounts receivable balance is $250.

ENTRY:

Dr. Allowance for Bad Debts	$250	
Cr. *Accounts Receivable—Bob Jones		$250

NOTE: This entry does not result in bad debts being recorded as an expense twice. The expense is recorded at the time that bad debts are estimated and the allowance for bad debts adjusted. This entry simply takes the specific bad debt out of the accounts receivable balance.

METHOD: This entry can be made through the General Journal.

NOTE: Another method of writing off bad debts, the direct write-off method, is sometimes used. This method does not estimate bad debts. When a specific account is determined to be

uncollectible, the account is charged (debited) to bad debt expense. The direct write-off method is only acceptable where accounts receivable and bad debts are immaterial (insignificant) amounts for the business.

Bad Debt Recovery

SITUATION: The business recovers a bad debt previously written off.

EXAMPLE: A check for $250 is received from Bob Jones in payment of an account previously written off (see previous example).

Entry to reverse original write-off:

Dr. *Accounts Receivable—Bob Jones	$250	
Cr. Allowance for Bad Debts		$250

Entry to record collection:

Dr. Cash in Bank	$250	
Cr. *Accounts Receivable—Bob Jones		$250

NOTE: The receipt of the check from Bob Jones indicates that his account was written off in error. The first entry above corrects this error, and the second entry records the receipt of his check.

METHOD: (1) The first entry can be made through the General Journal and the second through the Cash Receipts Journal, or (2) both entries can be made through the General Journal.

Finance Charges

SITUATION: The business levies finance charges on accounts receivable.

EXAMPLE: Jack Smith has an account receivable balance of $1,000 which is 30 days past due. The policy of the business is to charge a finance charge of 1 percent per month on all accounts past due 30 days or longer.

ENTRY:

Dr. *Accounts Receivable—Jack Smith	$10	
Cr. Finance Charge Revenue		$10

NOTE: The finance charge was calculated as follows: $1,000 x 1% = $10.

METHOD: This entry can be made through the Accounts Receivable module or through the General Journal. If the Accounts Receivable module is used, finance charges will be calculated automatically, based on the finance charge option selected.

Credit Card Sales: Nonbank Cards

SITUATION: The business has nonbank credit card sales.

EXAMPLE: At the end of the day, the business has American Express invoices amounting to $200. Assume that American Express charges a service charge of 5 percent of the sales price.

Entry to record credit card sales:

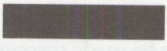
Dr. *Accounts Receivable—American Express	$200	
Cr. Sales Revenue		$200

Entry to record remittance from American Express:

Dr. Cash in Bank	$190	
Dr. *Credit Card Expense	10	
Cr. *Accounts Receivable—American Express		$200

NOTE: The credit card expense of $10 is 5 percent of the sales of $200.

METHOD: (1) The first entry can be made through the General Journal and the second through the Cash Receipts Journal, (2) both entries can be made through the Accounts Receivable module, or (3) both entries can be made through the General Journal.



Credit Card Sales: Bank Cards

SITUATION: The business has bank credit card sales.

EXAMPLE: At the end of the day, MasterCard credit card sales amount to $300. Assume that MasterCard charges a service charge of 5 percent of the sales price.

ENTRY:

Dr. Cash in Bank	$285	
Dr. *Credit Card Expense	15	
Cr. Sales Revenue		$300

NOTE: Bank credit card sales are treated as if they were cash sales. The MasterCard invoices would be deposited in the checking account just as checks would be deposited. The credit card expense is simply 5 percent of the sales of $300.

METHOD: This entry can be made through the Cash Receipts Journal or through the General Journal.

Loans to Officers

SITUATION: The business makes loans to officers of the corporation.

EXAMPLE: A loan of $2,500 is made to the president of the corporation.

ENTRY:

Dr. *Loans to Officers	$2,500	
Cr. Cash in Bank		$2,500

NOTE: A separate account is used to record loans to officers. These transactions should not be recorded as accounts receivable, since the nature of these receivables is different from amounts receivable from customers. Loans to officers are different from owner withdrawals or dividends paid to stockholders.

METHOD: This entry can be made through the Cash Disbursements Journal or through the General Journal.

Notes Receivable

SITUATION: The business accepts notes receivable from customers.

EXAMPLE: Chris Perkins purchased $2,000 of merchandise on open account (account receivable) last month. Perkins is not able to pay the bill in the normal credit period. The business accepts

a $2,000, 14 percent, 90-day note from Perkins to settle his open account.

ENTRY:

Dr. *Notes Receivable—Perkins	$2,000	
Cr. *Accounts Receivable—Perkins		$2,000

NOTE: This entry removes Perkins's account from the normal accounts receivable. The related interest is not recorded until it is earned, that is, after time has passed.

METHOD: This entry can be made through the General Journal.

Dishonored Notes Receivable

SITUATION: The business has notes receivable that are not honored.

EXAMPLE: The $2,000, 14 percent, 90-day note receivable accepted from Chris Perkins in settlement of his open account (see previous example) is not honored at maturity. Assume that no interest has yet been recorded on the note.

ENTRY:

Dr. *Accounts Receivable—Perkins	$2,070	
Cr. *Notes Receivable—Perkins		$2,000
Cr. Interest Revenue		70

NOTE: Because the note has matured, it is no longer negotiable. Therefore, it must be removed from notes receivable, but it is still an account receivable from Perkins. The interest on the note

is also due from Perkins and is included in the total receivable from him. The interest income is calculated as follows: $2,000 x 14% x 90/360 = $70.

METHOD: This entry can be made through the General Journal.

Notes Receivable Discounted

SITUATION: The business discounts (sells) notes receivable to the bank.

EXAMPLE: A note receivable from a customer with a face value of $5,000 is discounted (sold) at the bank. Cash of $4,950 is received from the bank.

Entry to record discounting of note:

Dr. Cash in Bank	$4,950	
Dr. Interest Expense	50	
Cr. *Notes Receivable Discounted		$5,000

Entry to record payment of note (by customer):

Dr. *Notes Receivable Discounted	$5,000	
Cr. *Notes Receivable		$5,000

EXPLANATION: When a note receivable is sold, the bank will compute the proceeds based on the interest rate on the note, the time to maturity and the interest rate (discount rate) charged by the bank. The difference between the cash proceeds and the face value of the note is recorded as interest expense or interest revenue. In this case, the face value of the note exceeded the cash proceeds, so the result was interest expense. If the proceeds had exceeded

the face value of the note, the difference would be recorded as interest revenue. The account "Notes Receivable Discounted" is a contra account to Notes Receivable. This contra account is used to show that there is a contingent liability to pay the note if the customer defaults. When the customer pays the note (to the bank), the second entry is recorded to remove all accounts related to the note receivable from the books.

METHOD: (1) The first entry can be made through the Cash Receipts Journal and the second through the General Journal, or (2) both entries can be made through the General Journal.

Inventory Write-Down

SITUATION: The business writes down its inventory to net realizable value.

EXAMPLE: A television set that is carried in inventory has been used as a floor model. This television had a cost of $200 and an original sales price of $300. Because this set has been used extensively, the estimated selling price is $225. In addition, there will be a sales commission of $50 when sold.

ENTRY:

Dr. *Loss Due to Decline in Market Value	$25	
Cr. Inventory		$25

EXPLANATION: Damaged, obsolete or shopworn goods should not be carried in inventory at more than their net realizable value. Net realizable value is the estimated selling price of an item less any costs incurred to make it saleable and dispose of it. In this example, the net realizable value is the estimated

selling price of $225 less the sales commission of $50. Because the carrying cost of the inventory is $200 (the original cost), the inventory must be written down by $25 to its net realizable value of $175.

METHOD: This entry can be made through the General Journal.

Revision of Asset Life

SITUATION: The business revises the estimated life of long-lived assets.

EXAMPLE: A machine purchased three years ago has a cost of $50,000, accumulated depreciation of $24,000, estimated salvage value of $10,000 and an estimated life of five years. At the beginning of the fourth year, it is estimated that the machine will last four more years. The estimated salvage value remains at $10,000. The business uses the straight-line method of depreciation.

Entry to be made in the fourth and following years:

Dr. Depreciation Expense	$4,000	
Cr. Accumulated Depreciation		$4,000

EXPLANATION: When an asset life is revised, future depreciation charges are usually adjusted for the change. This entry reflects the adjusted depreciation charge calculated as follows:

Asset cost	$50,000
Less accumulated depreciation	24,000
Book value	$26,000
Less salvage value	10,000
Depreciable amount remaining	$16,000

Divided by remaining life . . . . . / 4
Straight-line depreciation per year . . . . . $ 4,000

NOTE: This annual depreciation would be divided by 12 to determine monthly depreciation entries.

METHOD: These entries can be made through the General Journal or set up in the Automatic Journal Entries. Setting them up in the Automatic Journal Entries is especially recommended when monthly straight-line depreciation entries are made.

Sale of Plant Assets

SITUATION: The business sells plant assets.

EXAMPLE: Equipment costing $40,000 with accumulated depreciation of $35,000 is sold for $3,000.

ENTRY:

Dr. Cash in Bank	$ 3,000
Dr. Accumulated Depreciation	35,000
Dr. *Loss on Disposal of Plant Assets	2,000
Cr. Machinery & Equipment	$40,000

NOTE: Depreciation should be recorded to the date of sale before this entry is made. This entry removes all accounts related to the equipment from the books, since the asset has been sold.

METHOD: This entry can be made through the Cash Receipts Journal or through the General Journal.

Retirement of Plant Assets

SITUATION: The business retires plant assets.

EXAMPLE: A machine with an original cost of $30,000 and accumulated depreciation of $28,000 is retired. The machine has no salvage value.

ENTRY:

Dr. Accumulated Depreciation	$28,000	
Dr. *Loss on Disposal of Plant Assets	2,000	
Cr. Machinery & Equipment		$30,000

NOTE: Depreciation should be recorded to the date of retirement before this entry is made. This entry removes all accounts related to the equipment from the books, since the asset has been retired.

METHOD: This entry can be made through the General Journal.

Destruction of Plant Assets

SITUATION: The business suffers destruction of plant assets.

EXAMPLE: A building costing $75,000 with accumulated depreciation of $55,000 is completely destroyed by fire. Proceeds of $15,000 are received from the insurance company.

ENTRY:

Dr. Cash in Bank	$15,000	
Dr. *Fire Loss	5,000	
Dr. Accumulated Depreciation	55,000	
Cr. Buildings		$75,000

NOTE: Depreciation should be recorded to the date of the fire before this entry is made. This entry removes all accounts related to the equipment from the books since the asset has been destroyed. The fire loss is the difference between the book value (cost—accumulated depreciation) of the building and the proceeds received from the insurance company. If the building had not been insured, the fire loss would have been the entire book value of the building.

METHOD: This entry can be made through the Cash Receipts Journal or through the General Journal.

Patents

SITUATION: The business acquires patents.

EXAMPLE: A patent costing $20,400 is purchased. Assume the useful life exceeds the legal life of 17 years.

Entry to record purchase:

Dr. *Patents	$20,400	
Cr. Cash in Bank		$20,400

Entry to record monthly amortization:

Dr. Amortization Expense	$ 100	
Cr. *Patents		$ 100

EXPLANATION: The cost of intangible assets such as patents can only include the outright purchase costs. Intangible assets are amortized at the shorter of their legal life or estimated useful life. In this example, the legal life of the patent (17 years) is shorter

than its useful life, so the legal life is used as the basis for amortization. Amortization is calculated as follows: $20,400 ÷ 17 years ÷ 12 months = $100.

METHOD: (1) The first entry can be made through the Cash Disbursements Journal and the monthly entries can be made through the General Journal, (2) the first entry can be made through the Cash Disbursements Journal and then an entry can be set up in the Automatic Journal Entries for the monthly amortization entries, or (3) all entries can be made through the General Journal.

NOTE: If the Automatic Journal Entries approach is used, the entry must be removed at the end of the asset's life (that is, at the end of 17 years).

Copyrights

SITUATION: The business acquires copyrights.

EXAMPLE: A copyright costing $6,000 is purchased. Assume the economic life of the copyright is five years.

Entry to record purchase:

Dr. *Copyrights	$6,000	
Cr. Cash in Bank		$6,000

Entry to record monthly amortization:

Dr. Amortization Expense	$ 100	
Cr. *Copyrights		$ 100

EXPLANATION: The cost of intangible assets such as copyrights can only include the outright purchase costs. Intangible assets are amortized at the shorter of their legal life or estimated useful life. In this example, the legal life of the copyright (the life of the creator plus 50 years) exceeds its useful life, so the useful life is used as the basis for amortization. Amortization is calculated as follows: $6,000 ÷ 5 years ÷ 12 months = $100.

METHOD: (1) The first entry can be made through the Cash Disbursements Journal and the monthly entries can be made through the General Journal, (2) the first entry can be made through the Cash Disbursements Journal and then an entry can be set up in the Automatic Journal Entries for the monthly amortization entries, or (3) all entries can be made through the General Journal.

NOTE: If the Automatic Journal Entries approach is used, the entry must be removed at the end of the asset's life (that is, at the end of five years).

Franchises

SITUATION: The business acquires franchises.

EXAMPLE: A franchise costing $72,000 is purchased. Assume the economic life of the franchise exceeds the contract life of 10 years.

Entry to record purchase:

Dr. *Franchises	$72,000	
Cr. Cash in Bank		$72,000

Entry to record monthly amortization:

Dr. Amortization Expense	$ 600	
Cr. *Franchises		$ 100

EXPLANATION: The cost of intangible assets such as franchises can only include the outright purchase costs. Intangible assets are amortized at the shorter of their legal life or estimated useful life. In this example, the legal life of the franchise (the contract life of 10 years) is exceeded by its useful life, so the legal life is used as the basis for amortization. Amortization is calculated as follows: $72,000 ÷ 10 years ÷ 12 months = $600.

METHOD: (1) The first entry can be made through the Cash Disbursements Journal and the monthly entries can be made through the General Journal, (2) the first entry can be made through the Cash Disbursements Journal and then an entry can be set up in the Automatic Journal Entries for the monthly amortization entries, or (3) all entries can be made through the General Journal.

NOTE: If the Automatic Journal Entries approach is used, the entry must be removed at the end of the asset's life (that is, at the end of 10 years).

Organization Costs

SITUATION: The business incurs organization costs.

EXAMPLE: A total of $7,200 is paid for state incorporation fees and legal fees applicable to organizing the corporation. These costs are to be amortized over five years.

Entry to record payment:

Dr. Organization Costs	$7,200	
Cr. Cash in Bank		$7,200

Entry to record monthly amortization:

Dr. Amortization Expense	$ 120	
Cr. Organization Costs		$ 120

NOTE: Organization costs are intangible assets and should be amortized over a period not to exceed 40 years. Most organization costs are relatively small in amount and are amortized over a much shorter period than 40 years. The selection of five years in this example was arbitrary. Amortization was calculated as follows: $7,200 ÷ 5 years ÷ 12 months = $120.

METHOD: (1) The first entry can be made through the Cash Disbursements Journal and the monthly entries can be made through the General Journal, (2) the first entry can be made through the Cash Disbursements Journal and then an entry can be set up in the Automatic Journal Entries for the monthly amortization entries, or (3) all entries can be made through the General Journal.

NOTE: If the Automatic Journal Entries approach is used, the entry must be removed at the end of the asset's life (that is, at the end of five years).

Leasehold Improvements

SITUATION: The business acquires leasehold improvements.

EXAMPLE: Improvements with a cost of $9,600 are made to a leased building. At the time of the improvements, the remaining term of the lease is four years. The leasehold improvements have a useful life of 10 years.

Entry to record acquisition:

Dr. Leasehold Improvements	$9,600	
Cr. Cash in Bank		$9,600

Entry to record monthly amortization:

Dr. Rent Expense	$ 200	
Cr. Leasehold Improvements		$ 200

EXPLANATION: Leasehold improvements usually remain with the leased property when the lease expires. They are really part of the cost of the leased asset and, therefore, should be recorded as rent expense. The amortization period for leasehold improvements is the shorter of their useful life or the life of the lease. In this example, the life of the lease is shorter than the useful life, so the life of the lease is used as the basis for amortization. Amortization is calculated as follows: $9,600 ÷ 4 years ÷ 12 months = $200.

NOTE: Sometimes, in practice, leasehold improvements are included in the property, plant and equipment section of the balance sheet.

METHOD: (1) The first entry can be made through the Cash Disbursements Journal and the monthly entries can be made through the General Journal, (2) the first entry can be made through the Cash Disbursements Journal and then an entry can

be set up in the Automatic Journal Entries for the monthly amortization entries, or (3) all entries can be made through the General Journal.

NOTE: If the Automatic Journal Entries approach is used, the entry must be removed at the end of the asset's life (that is, at the end of four years).

LIABILITIES: ADDITIONAL ENTRIES

Bank Loan

SITUATION: The business borrows money from the bank.

EXAMPLE: The business signs a $5,000, 90-day, 14 percent note at the bank and receives $5,000 cash.

Initial entry:

Dr. Cash in Bank	$5,000	
Cr. Notes Payable		$5,000

Entry at maturity:

Dr. Notes Payable	$5,000	
Dr. Interest Expense	175	
Cr. Cash in Bank		$5,175

NOTE: If interest had been accrued monthly, then the amount of the interest expense in the entry at maturity will be only that amount accruing from the last date interest was recorded. Interest expense is calculated as follows: $5,000 x 14% x 90/360 = $175.

METHOD: (1) The initial entry can be made through the Cash Receipts Journal and the entry at maturity can be made through

the Cash Disbursements Journal, or (2) both entries can be made in the General Journal.

Notes Payable: Noninterest-Bearing

SITUATION: The business issues noninterest-bearing notes.

EXAMPLE: The business presents its $1,000, 60-day, noninterest-bearing note to the bank, which discounts it at 15 percent. Assume that interest expense is not recorded until maturity.

Entry to record issuance of note:

Dr. Cash in Bank	$ 975	
Dr. *Discount on Notes Payable	25	
Cr. Notes Payable		$1,000

Entry to record payment of note at maturity:

Dr. Notes Payable	$1,000	
Dr. Interest Expense	25	
Cr. Cash in Bank		$1,000
Cr. *Discount on Notes Payable		25

EXPLANATION: Because the bank must earn interest on the money it loans, it deducts a bank discount from the proceeds of the note. This amount is recorded in the account "Discount on Notes Payable." This discount is not interest at the date the loan is made, but it will become interest over time. The entry at maturity shows the recording of interest expense and the corresponding reduction of the discount. Interest expense could be recorded before maturity (for example, at the end of each month), and the entry at maturity would be adjusted accordingly. In this

example, interest expense is calculated as follows: $1,000 x 15 percent x 60/360 = $25.

METHOD: (1) The first entry can be made through the Cash Receipts Journal and the second through the Cash Disbursements Journal, or (2) both entries can be made through the General Journal.

[redacted] OWNER'S EQUITY ENTRIES

Owner Investment

SITUATION: The owner makes an investment in the business.

EXAMPLE: The owner invests $10,000 in the business to provide operating funds.

Entry:

Dr. Cash in Bank	$10,000	
Cr. *Owner, Capital		$10,000

NOTE: If the business is a partnership, each partner would have his own capital account. The partner making the investment would have his capital account credited for the amount of the investment.

METHOD: This entry can be made through the Cash Receipts Journal or through the General Journal.

[redacted]

Owner Withdrawal

SITUATION: The owner makes a withdrawal from the business.

EXAMPLE: The owner withdraws $2,000 from the business for his personal use.

Entry:

Dr. *Owner, Drawing	$2,000	
Cr. Cash in Bank		$2,000

or

Dr. *Owner, Capital	$2,000	
Cr. Cash in Bank		$2,000

NOTE: (1) The use of the owner's drawing account is optional, but it provides a clearer record of withdrawals than directly reducing the owner's capital account. (2) If the owner's drawing account is used, it is closed to the owner's capital account at the end of the accounting period. (3) As was the case with owner investments, if the business is a partnership, each partner would have his own drawing account. The partner making the withdrawal would have his drawing account (or capital account) debited for the amount of the withdrawal.

METHOD: This entry can be made through the Cash Disbursements Journal or through the General Journal.

Stock Issued with Par Value

SITUATION: The business issues stock with a par value.

EXAMPLE: The corporation issues 100 shares of its $10 par value common stock for $15 per share.

Entry:

Dr. Cash in Bank	$1,500	
Cr. *Common Stock		$1,000
Cr. *Paid-in-Capital in Excess of Par Value		500

EXPLANATION: The common stock account is recorded at par value. Any amount received for the stock in excess of the par value is recorded in a separate paid-in-capital account.

METHOD: This entry can be made through the Cash Receipts Journal or through the General Journal.

Stock Issued with Stated Value

SITUATION: The business issues stock with a stated value.

EXAMPLE: The corporation issues 200 shares of its no-par, $20 stated value common stock for $25 per share.

Entry:

Dr. Cash in Bank	$5,000	
Cr. *Common Stock		$4,000
Cr. * Paid-in Capital in Excess of Stated Value		1,000

EXPLANATION: The common stock account is recorded at stated value. Any amount received for the stock in excess of the stated value is recorded in a separate Paid-in Capital account.

METHOD: This entry can be made through the Cash Receipts Journal or through the General Journal.

Stock Issued with No Par Value

SITUATION: The business issues stock with no par or stated value.

EXAMPLE: The corporation issues 50 shares of its common stock with no par or stated value for $30 per share.

Entry:

Dr. Cash in Bank	$1,500	
Cr. *Common Stock		$1,500

NOTE: When stock has no par or stated value assigned, the entire amount received for the stock is recorded in the common stock account.

METHOD: This entry can be made through the Cash Receipts Journal or through the General Journal.

Cash Dividends

SITUATION: The business pays cash dividends.

EXAMPLE: The corporation's board of directors declares a cash dividend of $3 per share of common stock. There are 1,000 shares of common stock outstanding.

Entry to record dividend declaration:

Dr. *Retained Earnings	$3,000	
Cr. *Dividends Payable		$3,000

Entry to record dividend payment:

Dr. *Dividends Payable	$3,000	
Cr. Cash in Bank		$3,000

NOTE: If the dividends are paid the same day they are declared, then the dividends payable account does not have to be used. Instead, Retained Earnings would be debited and Cash in Bank credited for $3,000.

METHOD: (1) The first entry can be made through the General Journal and the second entry made through the Cash Disbursements Journal, or (2) both entries can be made through the General Journal.

Treasury Stock (Stock Reacquired)

SITUATION: The business has treasury stock transactions.

EXAMPLE: The corporation purchases 200 shares of its own common stock from stockholders at a price of $50 per share. Later, 100 shares of this stock are reissued at a price of $55 per share.

Entry to record purchase:

Dr. *Treasury Stock—Common	$10,000	
Cr. Cash in Bank		$10,000

Entry to record reissuance:

Dr. Cash in Bank	$ 5,500	
Cr. *Treasury Stock—Common		$ 5,000
Cr. *Paid-in Capital—Treasury Stock Transactions		500

EXPLANATION: All transactions in a corporation's own capital stock are recorded on a cost basis. When the stock is acquired, the cost paid for the treasury stock is used to record the acquisition and all subsequent transactions. Any par or stated value related to the stock is irrelevant. When the stock is reissued, any difference between the acquisition cost per share and the reissue price is recorded in a paid-in-capital account. No income is shown from transactions in the corporation's own capital stock. In this example, the entry to paid-in-capital is the difference between the cost ($50 per share) and the reissue price ($55) for the 100 shares reissued.

METHOD: (1) The first entry can be made through the Cash Disbursements Journal and the second entry made through the Cash Receipts Journal, or (2) both entries can be made through the General Journal.

Retained Earnings Appropriation

SITUATION: The business makes appropriations of retained earnings.

EXAMPLE: A loan agreement requires that $50,000 of the corporation's retained earnings not be available for cash dividends until the loan is repaid. A formal record of this restriction is made.

Entry to record appropriation:

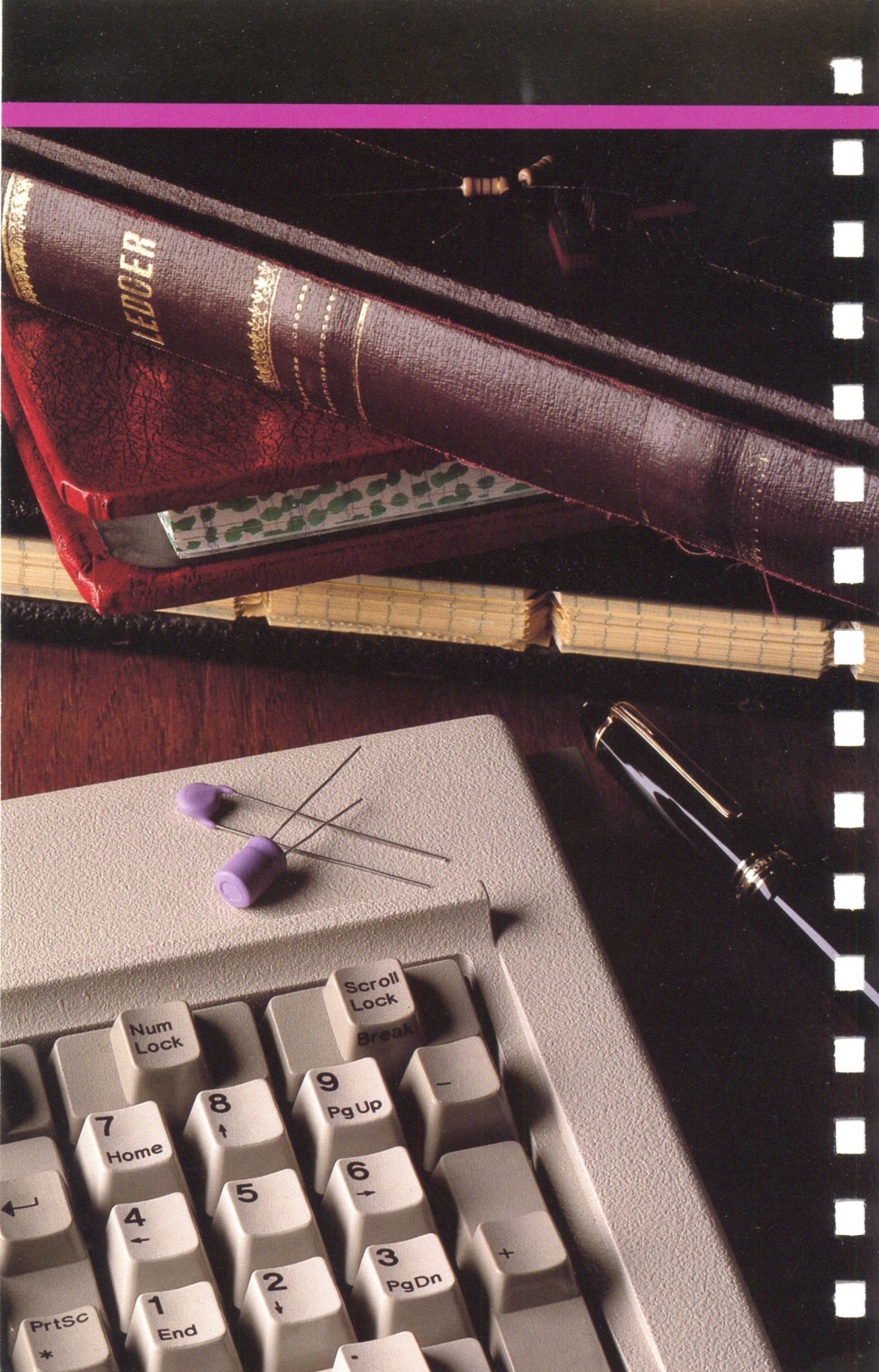
Dr. Retained Earnings	$50,000	
Cr. *Appropriation per Loan Agreement		$50,000

Entry after loan repayment:

Dr. *Appropriation per Loan Agreement	$50,000	
Cr. Retained Earnings		$50,000

EXPLANATION: An appropriation of retained earnings is a means to disclose in the financial statements that portion of retained earnings not available for cash dividends. It does not involve the setting aside of cash or any other asset. The appropriation account is shown as a separate component of retained earnings in the stockholders' equity section of the balance sheet. After the restriction is released (when the loan is repaid, in this example), the appropriation is reversed.

METHOD: Both entries can be made through the General Journal.


LEDGER
Num Lock
Scroll Lock
Break
7 Home
8
9 PgUp
4
5
6
1 End
2
3 PgDn
PrtSc
*
+
-

6

359 STANDARD CHART OF ACCOUNTS
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ACCOUNT RANGE	ACCOUNT NUMBER	ACCOUNT NAME
Assets	1000	Cash in Bank
	1020	Cash—Payroll Account
	1050	Money Market
	1070	Cash on Hand
	1100	Accounts Receivable
	1150	Interest Receivable
	1160	Due from Employees
	1170	Allowance for Bad Debts
	1200	Inventory
	1300	Prepaid Insurance
	1320	Prepaid Interest
	1340	Prepaid Taxes & Licenses
	1360	Prepaid Expenses—Misc
	1500	Furniture & Fixtures
	1520	Machinery & Equipment
	1540	Leasehold Improvements
	1560	Buildings
	1580	Land
	1600	Accumulated Depreciation
	1800	Investments
	1820	Deposits
	1840	Organization Costs
Liabilities	2000	Accounts Payable
	2100	Notes Payable
	2150	Layaway Deposits
	2200	FICA Payable
	2210	Federal W/H Payable
	2220	State W/H Payable
	2300	Salaries & Wages Payable

ACCOUNT RANGE	ACCOUNT NUMBER	ACCOUNT NAME
	2400	Sales Tax Payable
Equity	3000	Paid-in Capital
	3990	Retained Earnings
Revenue	4000	Sales Revenue
	4050	Service Revenue
	4100	Sales Discounts
	4110	Sales Returns/Allowances
	4200	Finance Charge Revenue
	4250	Interest Revenue
	4310	Credit Card Discounts
	4490	Miscellaneous Revenue
	4500	Merchandise Purchases
	4540	Purchase Discounts
	4560	Purchase Returns/Allow
	4580	Transportation-In
Expenses	5000	Salaries & Wages
	5100	Advertising Expense
	5110	Amortization Expense
	5130	Auto Expense
	5160	Bad Debts Expense
	5190	Cash Over/Short
	5210	Commissions Expense
	5240	Contract Labor Expense
	5270	Contributions
	5300	Depreciation Expense
	5330	Dues & Fees Expense
	5340	Entertainment Expense

ACCOUNT RANGE	ACCOUNT NUMBER	ACCOUNT NAME
	5360	Employee Benefits Exp
	5400	Freight Expense
	5430	Insurance Expense
	5460	Interest Expense
	5490	Late Charges
	5520	Legal & Accounting Exp
	5550	Licenses Expense
	5580	Miscellaneous Expense
	5610	Office Expense
	5630	Postage Expense
	5640	Rental Equipment Expense
	5670	Rent Expense
	5700	Repairs/Maintenance Exp
	5730	Tax Expense—Payroll
	5760	Tax Expense—Property
	5770	Tax Expense—Other
	5790	Telephone Expense
	5800	Travel Expense
	5820	Utilities Expense

There are three types of problems that can occur while using the Back to Basics Accounting System. When these problems occur special messages will appear on the screen. These messages are listed below.

Message 1:

NUMERIC OVERFLOW
THIS PROGRAM CANNOT HANDLE NUMBERS
LARGER THAN
$21,474,836.47
A VALUE GREATER THAN THIS HAS BEEN
GENERATED
NO INFORMATION HAS BEEN LOST
IF YOU WANT TO CONTINUE YOU MUST REBOOT
THE PROGRAM

MEANING: Somewhere within the program a number has been generated that is larger than $21,474,836.47.

EXAMPLES: Total assets, income, expenses, etc., for the month or year.

Total amount of checks written for the month.

An individual account total.

CORRECTION: In most cases, this error means your business is too large to use the Back to Basics Accounting System. You must use a program with greater capacity. Or you may have entered a large number incorrectly. You must reload the program and remove the offending entry.

Message 2:

WARNING
A DISK ERROR HAS DESTROYED THE DATA
ON THE DISK IN DRIVE (#)
CONTINUING TO USE THIS DATA DISK WILL
PRODUCE AN INACCURATE SET OF BOOKS
RESTART THE SYSTEM WITH YOUR MOST
RECENT BACKUP DATA DISK
ALL INFORMATION ENTERED SINCE THE
CREATION OF THIS BACKUP DISK HAS BEEN
LOST AND MUST BE REENTERED

MEANING: Some physical or electrical problem involving your disk has ruined your data disk.

CORRECTION: Reload the program with your backup data disk. Immediately select the Disk Copy option and create another backup data disk before entering any new transactions.

Message 3:

DISK ERROR
AN ERROR HAS OCCURRED WHILE TRYING TO
READ THE DISK IN DRIVE (#)
PLEASE MAKE SURE
1. A DISK IS IN DRIVE (#)
2. THE DISK DRIVE DOOR IS SHUT
3. THE DISK IS PROPERLY SEATED

MEANING: A physical problem involving the disk drive has occurred. No information has been lost.

CORRECTION: Press the RETURN key. Check numbers 1, 2 and 3 above.

If this message occurs frequently, make a copy of your backup disk and run with it in the future. If the message continues to occur, take the disk and your disk drive to your dealer for testing.

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